THE MAGAZINE OF WALL STREET

MAY 14, 1932

Politics Dominates the Market

By A. T. MILLER

Senator Robert J. Bulkley Defends the Glass Bill

Further Impetus to Oil Recovery

By EDWIN T. FLEMING

C. G. Wyckoff
PUBLISHER

VOL. 50 - No. 2

PRICE 35 CENTS

Missouri-Kansas-Texas Railroad Company
and Controlled Companies

Annual Report for the Year Ended December 31, 1931

TO THE STOCKHOLDERS: St. Louis, Mo., April 19, 1932.

The Board of Directors submit herewith report of the operations and affairs of your property for the year ended December 31, 1931.

A summary of results of operation compared with the year 1930 is as follows:

	1931	1930	Increase	Per Cent	Decrease	Per Cent
Operating Revenues	$34,383,379.64	$45,948,859.05	....	....	$11,565,479.41	25.17
Operating Expenses	24,501,399.36	30,225,002.64	....	....	5,723,603.28	18.94
Net Operating Revenue	$9,881,980.28	$15,723,856.41	....	....	$5,841,876.13	37.15
Taxes	2,455,586.33	2,356,928.85	$98,657.48	4.19		
Uncollectible Railway Revenues	21,044.33	13,551.46	7,492.87	55.29		
Railway Operating Income	$7,405,349.62	$13,353,376.10	....	....	$5,948,026.48	44.54
Miscellaneous Income	250,214.81	969,906.37	....	....	719,691.56	74.20
	$7,655,564.43	$14,323,282.47	....	....	$6,667,718.04	46.55
Rentals and Other Payments	2,111,554.55	2,348,823.17	....	....	237,268.62	10.10
Income for Year Available for Interest	$5,544,009.88	$11,974,459.30	....	....	$6,430,449.42	53.70
Fixed Interest Charges for Year	4,189,904.87	4,195,450.88	....	....	5,546.01	.13
Balance Available for Interest on Adjustment Bonds	$1,354,105.01	$7,779,008.42	....	....	$6,424,903.41	82.59
Interest on Adjustment Bonds	678,878.36	696,461.21	....	....	17,582.85	2.52
Net Income	$675,226.65	$7,082,547.21	....	....	$6,407,320.56	90.47

CONSOLIDATED GENERAL BALANCE SHEET

ASSETS

INVESTMENTS:	Dec. 31, 1931	Dec. 31, 1930	Increase or Decrease
Investment in Road and Equipment:			
Road	$214,493,071.48	$210,517,676.61	+$3,975,394.87
Equipment	45,451,636.14	52,145,654.35	—6,694,018.21
	$259,944,707.62	$262,663,330.96	—$2,718,623.34
Improvements on Leased Railway Property	....	3,564.07	—3,564.07
Deposits in Lieu of Mortgaged Property Sold	212.50	212.50	....
Miscellaneous Physical Property	1,182,004.49	1,102,841.44	+79,163.05
Investments in Affiliated Companies—Pledged	527,000.00	527,000.00	....
Investments in Affiliated Companies—Unpledged	1,230,290.35	1,168,233.69	+62,056.66
Other Investments:			
U. S. Government Securities	1,000,078.13	....	+1,000,078.13
Other Securities	617,433.19	624,072.65	—6,639.46
Total Investments	$264,501,726.28	$266,089,255.31	—$1,587,529.03
CURRENT ASSETS:			
Cash	$2,280,291.32	$6,469,720.09	—$4,189,428.77
Time Drafts and Deposits	4,116,712.06	6,479,926.84	—2,363,214.78
Special Deposits	8,609.94	24,130.84	—15,520.90
Loans and Bills Receivable:			
Time Loans	501,544.16	2,226,765.02	—1,725,220.86
Other Bills Receivable	59,094.91	44,923.61	+14,171.30
Traffic and Car Service Balances Receivable	457,922.31	696,815.44	—238,893.13
Net Balance Receivable from Agents and Conductors	455,745.04	616,342.77	—160,597.73
Miscellaneous Accounts Receivable	912,735.04	992,711.39	—79,976.35
Material and Supplies at Cost	3,560,373.58	4,674,431.38	—1,114,057.80
Interest and Dividends Receivable	57,957.63	105,845.29	—47,887.66
Other Current Assets	16,525.75	22,817.74	—6,291.99
Total Current Assets	$12,427,511.74	$22,354,430.41	—$9,926,918.67
DEFERRED ASSETS:			
Working Fund Advances	$99,871.53	$107,423.41	—$7,551.88
Other Deferred Assets	223,063.82	1.00	+223,062.82
Total Deferred Assets	$322,935.35	$107,424.41	+$215,510.94
UNADJUSTED DEBITS:			
Rents and Insurance Premiums Paid in Advance	$83,065.07	$86,606.78	—$3,541.71
Other Unadjusted Debits	448,038.61	585,882.92	—137,844.31
Total Unadjusted Debits	$531,103.68	$672,489.70	—$141,386.02
Total	$277,783,277.05	$289,223,599.83	—$11,440,322.78

The following Assets not included in Balance Sheet Accounts:			
Securities Issued or Assumed—Unpledged:			
Preferred Stock, Series "A"	$5,528,364.39	$5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,392,905.46	11,687,205.46	—$294,300.00
Securities Issued or Assumed—Pledged:			
Long Term Debt	17,529,000.00	17,504,000.00	+$25,000.00
Long Term Debt Held for Exchange of Underlying Securities, per contra	31,113,000.00	31,666,500.00	—553,500.00

Intercorporate Assets and Liabilities are excluded.

LIABILITIES

STOCK:	Dec. 31, 1931	Dec. 31, 1930	Increase or Decrease
Capital Stock:			
Preferred, Series "A" (Par value $100.00 per share)	$66,668,948.12	$66,660,708.26	+$8,239.86
Common (No par value. See note)	66,672,472.93	66,662,864.87	+9,608.06
Stock Liability for Conversion:			
Preferred, Series "A" (Par value $100.00 per share)	34,787.49	43,027.35	—8,239.86
Common (No par value. See note)	17,011.55	26,619.61	—9,608.06
Total Stock	$133,393,220.09	$133,393,220.09	....
LONG TERM DEBT:			
Mortgage Bonds	$93,194,179.30	$93,204,179.30	—$10,000.00
Equipment Trust Obligations	336,400.00	420,500.00	—84,100.00
Income Mortgage Bonds	13,577,567.24	13,577,567.24	....
Total Long Term Debt	$107,108,146.54	$107,202,246.54	—$94,100.00
CURRENT LIABILITIES:			
Traffic and Car Service Balances Payable	$514,538.62	$773,826.38	—$259,287.76
Audited Accounts and Wages Payable	2,881,756.26	3,512,281.60	—630,525.34
Miscellaneous Accounts Payable	90,998.34	91,329.84	—331.50
Interest Matured Unpaid	1,625,594.82	1,637,457.65	—11,862.83
Dividends Matured Unpaid	19,667.75	1,987,727.00	—1,968,059.25
Funded Debt Matured Unpaid	1,642.00	15,865.00	—14,223.00
Unmatured Interest Accrued	455,526.84	458,102.10	—2,575.26
Unmatured Rents Accrued	139,233.50	99,412.89	+39,820.61
Other Current Liabilities	119,799.18	90,883.73	+28,915.45
Total Current Liabilities	$5,848,757.31	$8,666,886.19	—$2,818,128.88
DEFERRED LIABILITIES:			
Other Deferred Liabilities	$342,968.48	$54,483.63	+$288,484.85
UNADJUSTED CREDITS:			
Tax Liability	$1,060,595.43	$1,457,771.87	—$397,176.44
Accrued Depreciation—Road	136,649.49	....	+$136,649.49
Accrued Depreciation—Equipment	11,577,056.01	12,553,708.95	—976,652.94
Other Unadjusted Credits	364,323.78	348,684.56	+15,639.22
Total Unadjusted Credits	$13,138,624.71	$14,360,165.38	—$1,221,540.67
CORPORATE SURPLUS:			
Additions to Property through Income and Surplus	$78,832.57	$70,157.86	+$8,674.71
Profit and Loss—Balance	17,872,727.35	25,476,440.14	—7,603,712.79
Total Corporate Surplus	$17,951,559.92	$25,546,598.00	—$7,595,038.08
Total	$277,783,277.05	$289,223,599.83	—$11,440,322.78

The following Liabilities not included in Balance Sheet Accounts:			
Securities held by or for the Company—Unpledged:			
Preferred Stock, Series "A"	$5,528,364.39	$5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,392,905.46	11,687,205.46	—$294,300.00
Securities held by or for the Company—Pledged:			
Long Term Debt	17,529,000.00	17,504,000.00	+25,000.00
Liability to holders of underlying Long Term Debt in exchange for which securities are held, per contra	31,113,000.00	31,666,500.00	—553,500.00

The Company is guarantor, jointly with other Companies, of the securities of certain terminal companies, none of which is in default.

There were 808,935.6095 shares Common Stock outstanding in hands of the public December 31, 1931, an increase of 116.5744 shares. There were also 206.4007 shares included in Stock Liability for Conversion on December 31, 1931, a decrease of 116.5744 shares.

As no liability is admitted under Section 15A of the Interstate Commerce Act no cognizance thereof has been taken in preparing the above Balance Sheet.

No provision has been made for proposed additional assessments in respect to prior years' Federal Income Taxes, under appeal.

Dividends on 7% Cumulative Preferred Stock, Series "A" have been declared and paid to September 30, 1931.

PROFIT AND LOSS DECEMBER 31, 1931

Balance to Credit of Profit and Loss December 31, 1930	$25,476,440.14
Credits:	
Credit Balance Transferred from Income	675,226.65
Profit on Road and Equipment Sold	*8.46*
Unrefundable Overcharges	*3.37*
Donations	8,674.71
Miscellaneous Credits	2,436.01
Total	$26,162,765.68

Debits:	
Dividend Appropriations, Preferred Stock, Series "A" 7%	$3,501,944.25
Surplus Appropriated for Investment in Physical Property	8,674.71
Debt Discount Extinguished through Surplus	1,602.95
Loss on Retired Road and Equipment	57,995.09
Delayed Income Debits	4,710,091.39
Miscellaneous Debits	9,729.94
Total	$8,290,038.33
Balance to Credit of Profit and Loss December 31, 1931	$17,872,727.35

Italics denote debit.

Member of Audit Bureau of Circulations

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Vol. 50 No. 2 May 14, 1932

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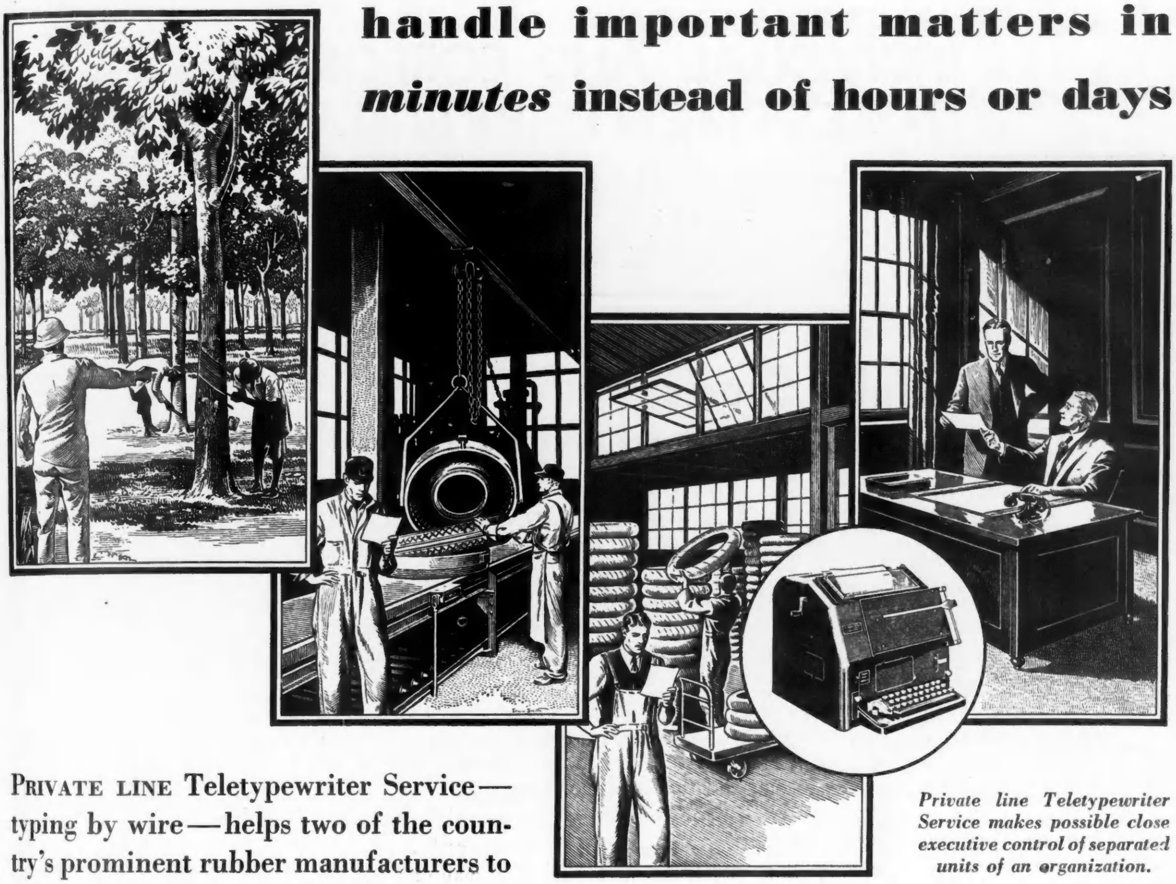

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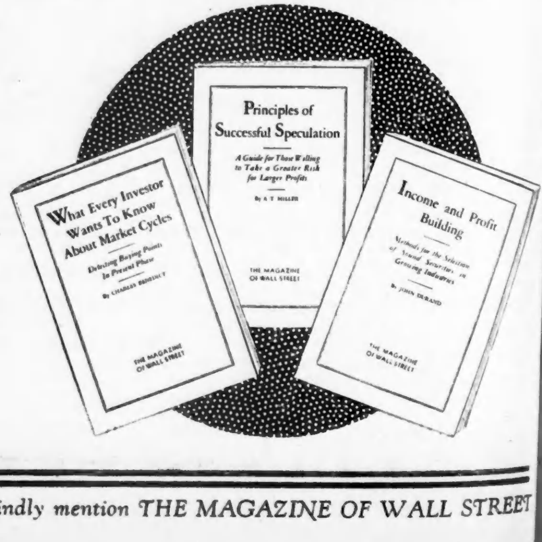


WITH THE EDITORS

On With the Investigation

ANOTHER evil born of the wild bull market era is in process of extinction through recent activities of the Senate Investigating Committee on stock market practices. The exposure of corruption on the part of certain financial writers will be viewed with approval by the entire writing fraternity and certainly by every publisher and editor who esteems the confidence of his readers. Of course, revelations of this sort are unpleasant. There is grave danger of injustice in them, and an upright magazine or newspaper may be subjected to unwarranted misjudgment.

Although the practise of accepting dirty money for the dirty work of deliberately deceiving a trusting public through the surreptitious use of the columns of their reputable journals is not believed to be widespread, the disclosure of any corruption whatsoever may give rise to popular misunderstanding and unjust criticism directed against those whose houses are entirely in order.

That some such confusion of the public by the testimony as published exists, is reflected in the fact that this Magazine has received three critical letters from readers who either confused it with some other publication or assumed that the cloud over a few papers extended over all. Yet in no part of the Senate investigation has The Magazine of Wall Street been mentioned nor were any of the individuals named ever connected with this publication.

As a medium which seeks to serve buyers and owners rather than vendors or distributors, it is our hope that the investigation will be pursued aggressively until all semblance of corruption or abuses is driven from Wall Street so that those who have rendered years of impeccable service may enjoy the universal confidence and respect for their integrity to which they are entitled.

In the Next Issue

What Is Restraining Business Improvement?

Ample production facilities are available, the supply of goods of all descriptions is either actually or potentially abundant, the need is correspondingly great, prices are at pre-war levels—yet business lags in its recovery. What are the domestic factors responsible for this condition? What world problems remain to be solved? Are we now approaching the dawn of recovery or must further adjustment be endured?

By Theodore M. Knappen

Railroad Over-Capitalization Can Be Relieved Without Receivership

Changes of great importance to all types of present or prospective holders of railroad securities are imminent.

By Pierce H. Fulton

Are Reported Earnings Real Earnings?

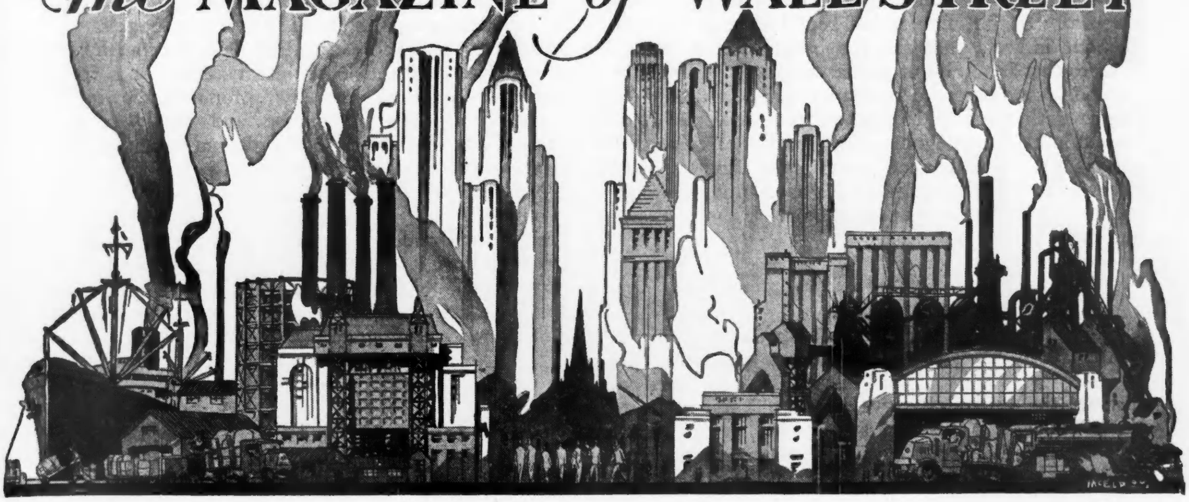
The trend of corporate practice in depreciation and maintenance charges.

By John D. C. Weldon

Stocks for Long-Term Investment

Selected by The Magazine of Wall Street Staff

The MAGAZINE of WALL STREET



E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

The Great Experiment—France Turns to the Left—An Order to Raise Prices—A Ray of Light at Washington—Intelligent Rail Relief—The Market Prospect

THE GREAT EXPERIMENT

IT is too soon by a month or two to appraise the effects of the Federal Reserve policy of expanding credit through the purchase of government securities. A hundred million of dollars a week has been pouring into the banks, but they haven't budged a bit, and there has been no let-up in the downward trend of securities. The last might have been fairly expected, on the well worn discount and psychology theories. But perhaps Wall Street is beyond the exercise of anticipation and is come to the hard-boiled, seeing-is-believing stage.

The banks are too deep in fear and too firmly committed to super-caution to respond quickly to the inviting temptation to lend freely which the Federal Reserve is dangling before them. Borrowers are too discouraged to risk repetition of the innumerable rebuffs they have had from the banks. In time both will change, provided the impasse does not continue so long that new alarms bash returning confidence.

It may be that in waiting for the psychological moment the Federal Reserve has waited too long. Perhaps the critical moment was when the Reconstruction Finance Corporation went into action. Time will tell, but we fervently hope that history will not have to say that the Federal Reserve was too dilatory in checking deflation, as it was in checking inflation.

FRANCE TURNS TO THE LEFT

THE strong man has gone down in the French elections. The left parties will dominate the new Chamber of Deputies and Tardieu will give place to Herriot. The results are likely to be two-fold. France will probably be less imperative on the subject of reparations when the Lausanne Conference meets, but the Germans will be well advised if they do not expect much. The other outcome may have even more of an ultimate international effect.

The Socialist policies if applied may wreck the present financial ascendancy of Paris. Heavy taxation, reckless expenditures of public funds and the flight of capital may topple France from her commanding position in international finance and throw her

into the slough of economic despond, already so well occupied. So far, France has kept her head, but the elections indicate that she has been infected by the fallacies that have all but ruined the rest of the world. The only consolation to be drawn from the tarring of France with the world's woe is that when she finds herself in the same ignominious condition with other nations she will become co-operative and perhaps initiative in the restoration of Europe. But we would prefer to have her remain as an object lesson of sanity in a crazy world.

IN ORDER TO RAISE PRICES

THE lower house of Congress has come to the rescue. It has voted to instruct the Federal Reserve Board to raise prices to the 1926 level. This is a large order for an agency that is patiently, but so far unavailingly trying to jack up prices a bit. Actually the resolution is no more than a gesture, but the Board might take it literally and resort to all means of inflation within its power and urge the government to come along with carloads of bond issues and reams of straight fiat money. Fiat money will raise prices all right, yet it is certainly rash of Congress to undertake to establish the exact price level. It is perfectly proper for the Federal Reserve to attempt to restore financial confidence by providing an abundance of credit. Lighting a little kindling wood is not comparable to pouring gasoline onto the flames. The lighted kindling may grow into a good warm fire, but when financial gasoline goes off it takes the stove with it. Perhaps the sage economists of Congress reason that it is better to have a leveling explosion and then put up a new house, instead of painfully saving the old one and gradually renovating it.

A RAY OF LIGHT AT WASHINGTON

THERE cannot be the slightest doubt that Congress, in its vacillating and irresponsible legislative policies, has been largely to blame in recent weeks for the uncertainty and fear gripping business and the security markets. In the absence of any assurance that the budget would be balanced or that political sanity would be restored, enterprise has been paralyzed and public confidence has fallen lower and lower. In this desperate situation President Hoover's forthright demand that the national interest be put above selfish and partisan politics in order that Federal expenditures may be reduced and a sound taxation program be formulated comes as a shining ray of light—the first that Wall Street has seen in many weeks.

There is no need to enumerate the specific political developments which have provoked alarm and dismay in the minds of intelligent citizens. In a crisis scarcely less serious than a national war, the public instinctively felt that it was entitled to national, non-partisan, non-class leadership—leadership that is courageous, honest, even self-sacrificial—leadership that places the general welfare of the country above all else. Not one spark of such leadership has been shown in Congress as it impudently scrapped a carefully devised economy bill, as it played fast and loose with taxation, as it frightened the world with inflation proposals showing an appalling economic ignorance and as it brazenly attempted to buy additional "organized minority" votes by means of another conscienceless pension grab.

No one will be deceived by the shabby cry of "Politics!" with which some Congressmen have answered the President's message. If it is politics on Mr. Hoover's part it is the best politics he could possibly play. If he will keep up the fight, he and public opinion can scarcely fail to whip Congress into line on a sane, national program.

INTELLIGENT RAIL RELIEF

THE Interstate Commerce Commission has approved a Reconstruction Finance Corporation loan of $1,800,000 to the St. Louis-San Francisco Railway on condition that the railroad present to it before July 1 a plan of capital revision under which fixed charges will be substantially reduced. The management of the road has agreed to seek formulation of such a plan, and, in so doing, it tacitly concedes the validity of the Commission's position, which is that the only practical way of saving the St. Louis-San Francisco is by reducing its existing top-heavy obligations, rather than by piling on more debt through Reconstruction loans of doubtful expediency.

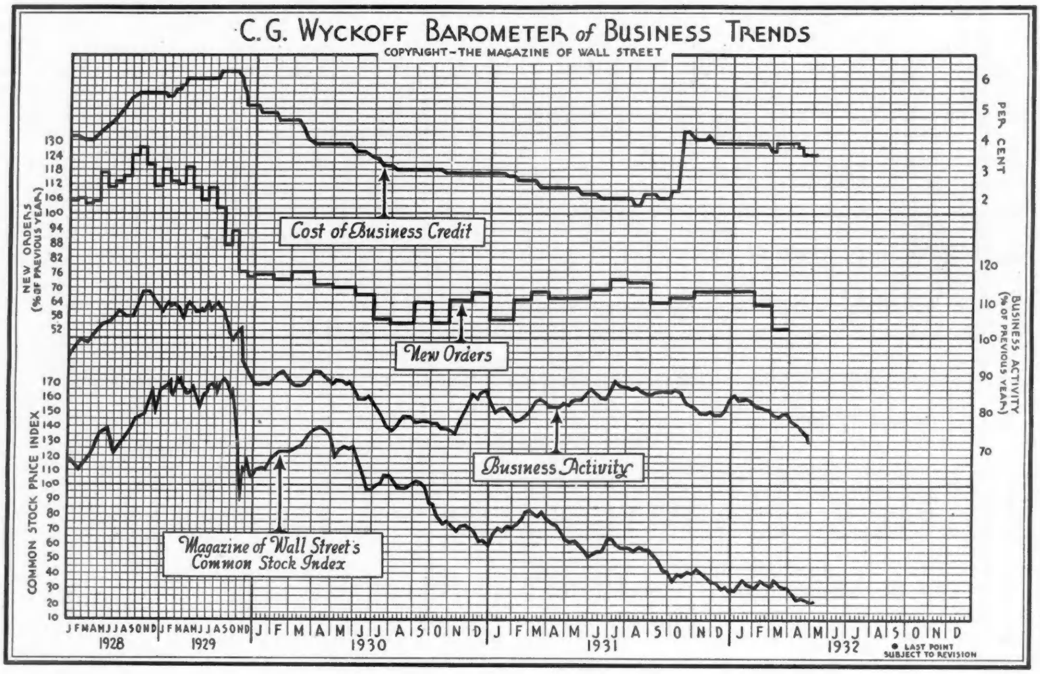
Despite the acquiescent attitude of the road's management and despite the fact that the carrier's securities are already selling on a basis which would liberally discount even actual receivership, there has been considerable criticism of the Commission's action in some quarters. Apparently, the view is held that the hard and fast purpose of the Reconstruction Corporation is to prevent all rail receiverships or revisions of rail capitalization, regardless of individual circumstances. We see no excuse whatever for the free use of public funds in any such rigid and unintelligent program. A stubborn effort to prevent all receiverships for the sake of appearances would merely postpone those which are necessary and would make the final adjustment more difficult. Because of the expense involved, voluntary capital revision is preferable to receivership, but either is infinitely better than enlargement, at the taxpayers' expense, of the debts of unsoundly capitalized railroads. Help should be for those who have a reasonable chance of repaying it. The Commission is to be congratulated on its plain enunciation of policy.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 74. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, May 9, 1932.

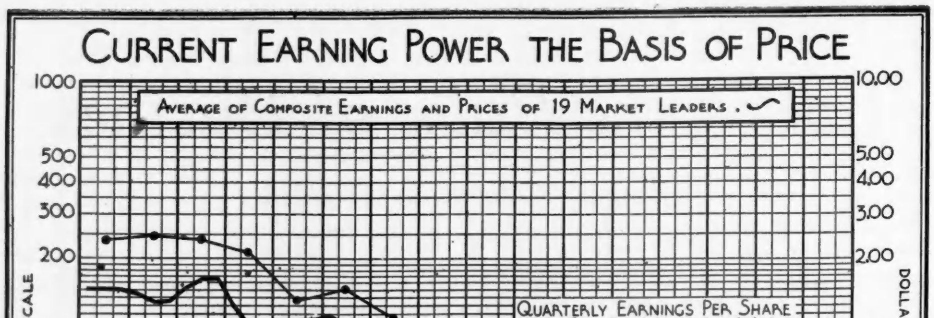
Taking the Pulse of Business

Banking Co-operation Needed



THE latter half of 1930 and the first six months of 1931 are notable as the first twelve-months period in a hundred years of American business history when abnormally low interest rates failed to stimulate a substantial recovery in trade. The Barometer shows, however, that improvement did set in during the autumn of 1930; but the rise was checked last year by domestic hoarding and foreign gold withdrawals which caused a prematurely sharp advance in interest rates. Thus it appears that we had a very moderate business recovery in 1931 and are now passing through the depression phase of a second cycle. The Cost of Business Credit line reveals this quite clearly, and several industries have traversed a distinct cycle of improvement and secondary recession during the past two years. Such an interpretation of the Barometer not only serves to account for the extreme severity of the present depression, which is like the relapse of a convalescing patient; but also affords grounds for rather confident expectation that the present vigorously renewed easy money program will lead to distinct improvement in general business conditions within a few months after influential commercial banks in the larger cities begin to cooperate wholeheartedly with the Federal Reserve Board's efforts to make credit available in greater volume for constructive business purposes. The present lack of such co-operation has been brought forcefully to the country's attention by recent bank statements which disclose that nearly all of the fresh credit which has been placed at the disposal of member banks during the past four weeks has been locked up in the reserves of New York City banks, which now have sufficient excess reserves to make about 700 million dollars of additional credit available to the business community.

The further sharp recession in New Orders disclosed by the latest point just entered upon our graph, along with persistent sagging of the Business Activity curve and fresh declines in the Common Stock Index to lower depths, surely point to the urgent need for courageous banking leadership at this juncture to halt the self-perpetuating spiral of deflation. The present policy under which each bank seeks to protect itself through endless liquidation of assets, instead of encouraging expansion as a means of enhancing the value of collateral, must, and we believe will, be changed.



Politics Dominates The Market

Meanwhile Prices 86 Per Cent Below the Boom Peak Suggest Consideration of Intelligent Accumulation

By A. T. Miller

THERE is no substantial improvement in business. Irresponsible political bickering at Washington gives cause for genuine alarm. Seldom has depression been so acute or the outlook, as the average person views it, so black.

That is why stock prices are at the lowest levels of a quarter of a century. That, also, is why intelligent investors from now on should strive to keep an open mind, for it is precisely under conditions of abject public pessimism that the ultimate investment bargains will be available. The stock market is not going to zero. At the recent low the decline from the 1929 peak amounted to 86 per cent.

Regardless of external developments, simple arithmetic offers assurance that, so far as security prices are concerned, the worst has already been endured. This is not to imply that bottom has necessarily been reached or that the danger of further serious losses has ended. It does suggest that it will be the part of wisdom to regard any further economic adversities with a cool head and to bear in mind the possibility that security prices have already made virtually all necessary allowance for them. Indeed, it may prove that the stock market has, in its familiar extremism, discounted various calamities that will never happen.

It is necessary to recognize frankly at this time that we have reached, or are approaching, what is probably the crucial phase of this depression. Industrial and trade activity are still slipping to lower levels, imposing a continuing strain upon financial conditions and upon public psychology. This strain is being combated by the operations of the Reconstruction Finance Corporation and, more specifically, by the aggressive open market credit policy of the Federal Reserve System. As between the opposing forces—the momentum of terrific deflation on the one hand and artificial remedies on the other—it remains an open question which will win, and the element of time becomes critical.

In some quarters the fear is held that a new crisis may develop within the next two or three months; that it will certainly develop if the Reserve System is not successful in its effort to bring about a controlled credit inflation. It is a somewhat vague fear, not at all certain of the precise dangers it envisages. But these undoubtedly include the possibility of lower security and commodity prices, a further impairment of public confidence as to our financial structure and as to the country's political drift, and finally, a considerable number of personal and corporate defaults, with their aftermath of receivership.

There is no occasion as yet to subscribe to this gloomy view, but it is well to consider the possibility in advance in order that a sane investment perspective may be had even should the worst happen. It is difficult accurately

to appraise our exact economic condition relative either to the past or to theoretical "normal." The difficulties close at hand always loom larger than those of the dim past. The temptation is strong to believe that this is the worst depression ever, different from all those of the past.

The Economic System Will Not Collapse

Yet calm reasoning will tell us that, after all, it is merely proportionate to the excess of the boom which preceded it and to the economic maladjustments produced, as they always have been, by protracted and costly war. What is hard for us to understand in the midst of adversity is the inherent vitality and resistance of our economic system and its natural recuperative powers.

As throughout history, there will be an end to this downward cycle and a recovery. If matters are to get somewhat worse meanwhile, that will not mean the ultimate collapse, but merely the painful approach to the final, natural solution which economic laws have always forced. Relative to the population, unemployment in various depressions has been more serious than at present. At various times financial conditions have been worse than at present and a far larger percentage of factories have been closed. In various depressions, property, through default, has changed hands on a wholesale scale that does not remotely resemble anything yet developed in the current period of stress.

All of these adversities were temporary, the turn for the better invariably coming when the outlook appeared most hopeless. There is much to be said for the theory that the final "clean-up" of this kind in itself marked the culmination of depression and paved the road for early revival.

To this writer it seems that the one aspect of this depression which is really new is the scope of the efforts which we have made and are making to avoid the cruel, but natural, conclusion always endured heretofore. We have consistently postponed decisions and reluctantly relinquished the status quo. Instead of painful adjustment to lower prices, we hope to raise prices through credit expansion.

Possibly we will ultimately achieve the intelligence to control our economic destiny through such measures as the Reconstruction Corporation and the Reserve System are now experimenting with. Possibly the present efforts will be revealed, by autumn, to have been successful.

But the point is that if the effort fails, all nevertheless will not have been lost. Our difficulties will temporarily increase. Much property will change ownership. Corporate capitalizations in many instances will be re-scaled in receivership and reorganization. The productive wealth of the country will still be here, ready to begin rebuilding prosperity from the lower level of values.

In a situation of this kind, should it develop, the shrewd investor will exercise prudence but will not lose courage. It is precisely under such apparently hopeless conditions that fortunes can be founded by the wise. For these it would not be an end but a beginning, an opportunity to invest in the unlimited future of the greatest country at price levels that will scarcely be duplicated in a lifetime.

Assuming that a backlog of cash reserves and of senior securities has been provided for, there appear to be only two intelligent courses open for application of funds with which one wishes to accumulate common stocks. One can either wait for fabulous bargains or for proof of the inception of business recovery. In either event it will be impossible to avoid some risk of missing bottom. Secondly, bearing in mind that stock prices have already declined 86 per cent since 1929, one can utilize whatever period of depression remains for the gradual and cautious scale-down purchase of sound equities, preferably those which have a close claim on earning power.

In retrospect, the gyrations of the stock market late in 1928 and in 1929 do not appear important in relation to the broader market picture then presented. It was a period of generally high prices. Any one fortunate enough to have sold out stocks then will not now regret failing to get the top price. The reverse is now true and prices of many sound stocks, though not of all, are low on a long-term basis. Any further extension of the decline probably in the longer future will seem no more significant than was the final unwarranted uprush of prices in 1929.

Temporary Shrinkage of Earning Power

This is not to argue that our condition is psychological or that existing prices are not warranted by current conditions. As a matter of fact, as the accompanying chart shows, the decline in corporate earning power has very strikingly paralleled the decline in stocks. The earnings line shows the trend of quarterly profits of nineteen leading industrial, rail and utility companies. In passing it is worth noting that these stocks are those revealed by the recent Senate investigation to have been most popular with short sellers. If anything, earnings in recent months have declined at a faster rate than stocks. Yet it will be observed that the general level of earnings of the more popular stocks was relatively higher in 1929 than was the stock market. Wild as the boom was, it is evident that an underlying investment opinion was fully aware that abnormally high earnings could not last. Smilarly, even where current earning power vanishes, as it has, for example, in the steel industry, stock prices may not be expected to go to zero for, despondent as it seems, the stock market knows in the back of its head that the current level of business profits also is temporary and that, with greatly decreased costs, the profit picture could be greatly changed by even a modest revival of trade activity.

In short, it is upon the possible approach during the next few months of an ultimate bargain day in securities

(Please turn to page 122)

"Regardless of external developments, simple arithmetic offers assurance that, so far as security prices are concerned, the worst has already been endured. This is not to imply that bottom has necessarily been reached or that the danger of further serious losses has ended. It does suggest that it will be the part of wisdom to regard any further economic adversities with a cool head and to bear in mind the possibility that security prices have already made virtually all necessary allowance for them. It may prove that the stock market, in its familiar extremism, has discounted various calamities that will never happen."

The Glass Bill has been termed deflationary and inimical to the ultimate working out of the Federal Reserve Board's policies.

It has been called ill-timed on the ground that radical banking reforms should not be undertaken in times of depression.

But, — an influential member of the Banking and Currency Committee of the United States Senate offers a convincing defense of this important pending legislation.

Glass Bill Calls For Basic Banking Changes

The Second Important Revision of the Federal Reserve Act Since the Establishment of the System in 1913

By U. S. Senator Robert J. Bulkley
Member of the Senate Committee on Banking and Currency

(An Approved Interview with the Associate Editor)

IT is neither surprising nor disconcerting to me that there should have been so much opposition to the Glass Bill among bankers. No social group desires changes affecting a status with which it is well satisfied.

Bankers, like the rest of us, have had much to worry about in these trying times, but they naturally prefer to continue under regulations and rules that they have become accustomed to, than to try experiments with new ones which may not be as agreeable to them as the present ones. That is, of course, only human nature functioning normally in the vocation of finance. The bankers were almost unanimously opposed to the Federal Reserve Act, itself, when it was proposed in 1913, but it has long since won their favor and support.

Like the original act the Glass Bill, which aims at amending it, is an effort to improve the serviceability and dependability of our commercial banking institutions, in the light of experience, both recent and remote. The Federal Reserve System undoubtedly saved us from a general banking panic in the greatest strain that has even been put upon the banks of America; but it is manifestly subject to improvement.

Blank & Stoller Photo

Robert J. Bulkley

It should be said that this bill is not a hastily or impulsively drawn measure. Many of its provisions were embodied in a bill introduced by Senator Glass as long ago as June, 1930, and the bill recently reported by the Senate Banking and Currency Committee is the result of long and painstaking investigation and deliberation and has been subject to much refinement and revision. I think it is fair to say that experience has shown that among the major reforms now needed are the following, all of which have been dealt with in the Glass Bill:

1. Prevention of the undue use of bank credit for "the speculative carrying of or trading in securities, real estate or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions."
2. Divorcement of commercial banks from the investment banking field.
3. Liquidation of closed member banks, under the authority and administration of the Federal Reserve System.
4. Extension of the branch banking privilege of National banks.

I think that nobody will deny that there has been much undue use of bank credit in various kinds of speculative operations. It would be difficult, perhaps impossible, to define in precise statutory phrases just what constitutes undue use of bank credit. It can best be determined as the occasion arises by the Federal Reserve

banks and the Federal Reserve Board. It is made the duty of each Federal Reserve bank to keep itself informed of the character and amount of the loans and investments of its member banks, and to take such information into account in determining whether to grant or refuse credit accommodations. The penalty provided for abuse of Federal Reserve credit is suspension from the use of the credit facilities of the Federal Reserve System.

It may be that some of the criticism of the Glass Bill as being deflationary rests on this amendment, but I do not think that the majority of bank patrons will find fault with it. Excessive credit for speculative purposes was a powerful contributing cause, if not the chief one, of the present crisis. Any sound measure which tends to prevent such excesses will help to prevent severe crises in the future, insofar as they are related to credit. Individual bankers may retain proper discretion in the use of their own resources, but I am sure that there can be no justification for diverting Federal Reserve funds to speculative purposes.

Long before the crash of 1929 came, informed public opinion had become critical of the mania of the banks for associating themselves with affiliated companies engaged in investment activities of various sorts. There was also much criticism of the direct participation of commercial banks in investment banking. The two fields are widely different and cannot be safely blended.

The custodians of the liquid funds of a community should not be exposed to influence by conflicting interests in dispensing credit based upon those funds.

When a bank is engaged in distributing securities, either directly or indirectly, it is in the position of partner with the promoters and becomes affected with an interest in the subsequent market for such securities.

There have been many instances of the total deterioration of bankers as advisors to their patrons regarding investments, as a result of the insidious effects of such self-interest.

It is certainly wise to get the member banks of the Federal Reserve System out of such temptations and keep them out. The Glass Bill undertakes to attempt to separate banks from security affiliates of all kinds and it prohibits them from underwriting and dealing in securities.

Some may call this provision deflationary, but I submit that the country can get along very comfortably with any retardation of distribution of securities that may result from keeping the commercial banks from engaging in the business of selling and distributing them. There are well authenticated reports of banks circularizing their savings department patrons in the interest of new security issues.

Taking the member banks out of the security business will not only promote public confidence in them but will make them more deserving of such confidence.

The creation of a subsidiary corporation of the Federal Reserve System which shall be charged with the duty of winding up the affairs of insolvent member banks is a salutary reform. It promises prompt and economical liquidation, and early relief of embarrassed depositors. It is in no sense a guaranty of deposits, but it is an assurance that depositors' equities will be realized promptly and dealt with in a faithful and efficient manner.

I think it is now pretty well recognized that we have had too many small independent banks in the United States. There is a field for and a need of branch banking. Moreover, national banks are often subjected to unfair competition with state banks in this respect. It is not sufficient for national banks to have branches in the same city with the parent institution. On the other hand, it is wise to limit such branches to the boundaries of their states, as the bill provides; except that under exceptional circumstances such branches may be located fifty miles beyond state lines. The limitation of the branch banking privilege to banks having not less than $500,000 capital tends to prevent banks with inadequate capital from undertaking too much.

There are minor points of merit in the Glass Bill which should be considered when attempting to appraise its effects. Among them is one removing the Secretary of the Treasury from membership on the Federal Reserve Board, which is obviously for the purpose of relieving the Board from influence by the Federal administration—not a particular administration, but any administration.

The prohibition of member banks from making brokers' loans on account of others than banks is in line with the practice already adopted by the New York Clearing House, and should have a restraining influence on the use of private funds in the financing of stock market booms.

An important amendment is the one giving the full authority of law to the informal supervision the Federal Reserve Board now exercises over the negotiations and relations in general of Federal Reserve banks with foreign banks. This has been interpreted as making the System more of a central bank but it appeals to me as a necessary authoritative unification of the functions of Reserve banks in dealing with international financial relations, which often profoundly affect the nation as a whole.

Group and chain bank corporations are made subject to the same supervision and regulation as the banks that compose them. This will remove the anomaly of lack of Reserve control of holding corporations that really determine the policies of individual member banks. It may ultimately have the effect of causing groups and chains to become branch banking systems, when taken into consideration with the extension of the branch banking privilege.

Other points worthy of mention are limitation of the percentage of its capital and surplus which a member bank may lend to its affiliated banks, the requirement that

Four Major Provisions of the Glass Bill

1.—Prevention of the undue use of bank credit for "the speculative carrying of or trading in securities, real estate or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions."

2.—Divorcement of commercial banks from the investment banking field.

3.—Liquidation of closed member banks under the authority and administration of the Federal Reserve System.

4.—Extension of the branch banking privilege of National Banks.

commercial bank affiliates of member banks must make reports and be subject to examination; elimination of the provision of the present law which requires member banks to pay surplus earnings into the Federal treasury as a franchise tax; increase of the minimum capital of national banks hereafter organized to $50,000, from $25,000 as at present; limitation of the amount of money which a national bank may invest in its premises; prohibition of a bank stock holding company—groups and chains—from controlling the election of the board of directors of the Federal Reserve bank of its district; giving the Reserve system officials authority to remove a member bank officer who continues in unsound practices after being warned to discontinue them.

The present bill follows all the generally favored reforms with the exception of the one relating to legal reserves against deposits. In the first draft of the bill there were requirements that the reserve against time deposits be gradually raised to the 7, 10 or 13 per cent now required against demand deposits in country, reserve city and central reserve city banks, respectively. The Federal Reserve Board suggested a reserve rule based upon the velocity of deposits which would require larger reserves as rapidity of turnover increased. The Senate Committee feared that this method was too novel for adoption at this time; and as an arbitrary increase in demand deposit reserves would be considered deflationary, it was decided to leave unchanged the required reserve percentages.

Apropos of the frequent charge of deflationary factors in the bill, it should be noted that provision restricting real estate loans have been excised.

The revised bill embodies changes of language in a number of places where the intent of the committee had not been clearly understood. One of these revisions cleared up the misunderstanding which was chiefly responsible for the allegations that the bill was deflationary. The earlier form of the bill contained a provision which was understood by many to limit the investments of a bank to 15 per cent of its capital and 25 per cent of its unimpaired surplus. It is now made clear that this limitation refers not to total investments but to investments in the obligations of a single obligor. Moreover, this limitation applies only to future purchases and thus does not compel the sale of securities owned at present.

Underwood Photo

Carter Glass

Speaking of liquidation, it is well to point out that the termination of ties with security affiliates may take three years; and does not involve the dissolution of the affiliates but separates the stock of the bank from the stock of the affiliate. In this way the scission is gently but decisively effected.

In considering these reforms it must be remembered that the Federal Reserve does not include all of the state banks; which, being subject to state laws, cannot be controlled by the Reserve at all, except as they are member banks, and then not fully. It is noteworthy that member banks, whether state or national, have resisted the crisis more successfully than nonmember banks of those classes, respectively.

The Glass Bill will make Reserve member banks still safer, both by reason of specific corrective provisions and because in general it emphasizes the jurisdiction of the Reserve Board in the direction of the suppression of unsound banking practices by member banks. It is not a doctrinaire measure in any way; and is, on the contrary, one that embodies the teachings of the harsh school of experience through which the country has been passing. It is neither deflationary nor inflationary but simply good banking law. Measures for meeting exigencies which may call for emergency expansion of credit and exceptional loans to member banks are covered in the Glass-Steagall law enacted by Congress in February.

The Glass Bill is not the last word in banking reform by any means. It would (*Please turn to page* 128)

American Bankers Association Suggests Five Changes in Glass Bill

Approval of the Glass Bill has been announced by the American Bankers Association which represents virtually the entire American banking community, the association, however, suggesting five changes in the bill, as follows:

(1) Provide that the capital of the proposed liquidating corporation be furnished either by the Treasury or by the Treasury and the Federal Reserve Banks. Member banks, the association believes, should not be burdened by being required to make subscriptions out of capital funds.

(2) Eliminate the provisions of the bill prohibiting national banks and state member banks from participating directly in the underwriting or distribution of securities. The association regards this practice as legitimate and necessary.

(3) Amend the regulations governing the use of Federal Reserve credit so as to require Regional Federal Reserve Bank directors to inquire into the uses of credit by members and to report misuses to the Federal Reserve Board.

(4) Modify the sections requiring member banks to give up their security affiliates within three years. The association favors regulation and supervision of the affiliates with a view to considering, after a period of years, what further restrictions or regulations, if any, may be necessary.

(5) Strike from the bill all provisions that would deprive state banking members of their full charter and statutory rights. The association asserts that this concession was made to state institutions in 1917 in order to induce them to enter the Federal Reserve System, and the privilege should not now be withdrawn.

Cut the Noose From the Neck of World Trade

Tariff Barriers, Import Quotas and Other Devices Strangle Commerce as Self-Containment Policies Fail—Reciprocal Tariffs Needed to Revive Inter-Nation Commerce—Britain's Imperial Conference May Open Tariff Bartering Era — With 27 Countries Using Customs to Bar Imports, United States Faces Further Loss of Markets

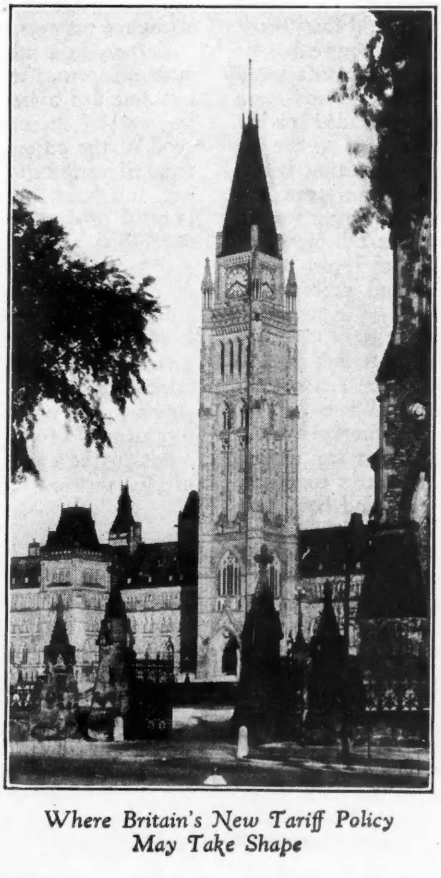
By THEODORE M. KNAPPEN

IN the simple times of barter nobody thought to question whether foreign trade was better than domestic, or vice versa. Trade was a personal matter. A person simply gave what he could dispense with for what he needed. No consideration of national advantage entered into the transaction. No Sioux Indian ever reflected that he was commercially injured because he got a gun from a white man in trade for a buffalo robe. He had the gun and the white man had the robe, and both were bettered by the deal.

Neither did it ever occur to the Sioux that it would be good business for him to undertake the manufacture of guns. Outside of robbery and pilfery, he much preferred to get his guns by hunting buffalo.

For ages after money was introduced as a means of facilitating and universalizing exchange between multitudes of people, often at great distances from each other, trade between national or regional groups was still visualized as barter. One nation had what one or more other nations wanted, and encountered reciprocal wants.

Later, when money was confused with wealth, nations began to manipulate trade with a view to accumulating money. National policy was shaped to encourage exports and discourage imports, so that cash would flow in instead of out. A "favorable balance of trade" came to mean just the reverse of what it had once signified, and if a nation gathered in less goods than it sent out it considered that it was getting richer; otherwise, poorer. This policy naturally led to various devices for stimulating the production at home of goods that were normally obtained abroad. It was strengthened by the growth of nationalism and the necessities of military conflicts with other nations. This led to the production of competitive products instead of reciprocal products, and as this condition grew, foreign trade became confused and embittered by the injection of conflicting national interests.



Where Britain's New Tariff Policy May Take Shape

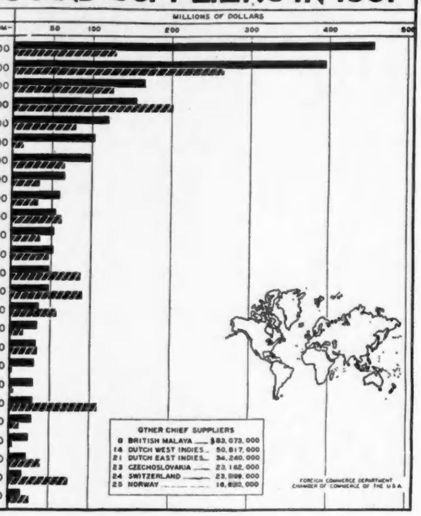
Broadly speaking, however, world trade grew great and prosperous on the basis of reciprocal exchange down, one might almost say, to the World War. To a very large extent it was trade between regions that had surpluses of foodstuffs and raw materials and those that manufactured goods. It was the buffalo-robe-and-gun trade on a vastly larger, more varied and complicated scale.

Growing nationalism and its consequences in the direction of maximum self-containment of trade would probably have eventually brought us to where we now are —when import trade is considered as an evidence of national economic weakness. The War, however, hastened the tendency, and it and the train of events it set up have finally committed virtually all nations to policies of trade manipulation which will operate to cause their nationals to confine their reciprocal trade to each other; import nothing, and sell abroad as much as possible. The War and its aftermath have made every nation in the world plan an approach to

self-containment. The old trade of the gun for the buffalo robe has been seriously disturbed. In the emergency of the depression even nations which patently cannot prosper and probably cannot long exist without a large import trade are seeking to restrict imports and expand exports in order to accumulate money instead of goods. Collectively considered, this is a policy of trade extermination — of trade contraction at a time when everybody feels the need of more trade.

OUR CHIEF MARKETS AND SUPPLIERS IN 1931

COUNTRY	RANK AS— BUYER	RANK AS— SELLER	VALUE OF— U.S. EXPORTS TO—	VALUE OF— U.S. IMPORTS FROM—
UNITED KINGDOM	1	3	$455,561,000	$135,452,000
CANADA	2	1	395,648,000	266,297,000
GERMANY	3	4	165,999,000	127,084,000
JAPAN	4	2	155,668,000	205,399,000
FRANCE	5	9	121,820,000	79,174,000
SOVIET RUSSIA	6	27	103,669,000	13,206,000
CHINA	7	11	97,888,000	66,761,000
NETHERLANDS	8	18	65,482,000	34,907,000
BELGIUM	9	20	59,410,000	34,241,000
ITALY	10	12	54,816,000	62,658,000
ARGENTINA	11	17	52,636,000	35,979,000
MEXICO	12	15	52,365,000	47,611,000
PHILIPPINE ISLANDS	13	7	48,883,000	87,133,000
CUBA	14	6	47,985,000	90,059,000
BRITISH INDIA	15	13	36,698,000	58,521,000
SPAIN	16	26	33,970,000	16,621,000
SWEDEN	17	19	32,156,000	34,269,000
DENMARK	18	59	29,748,000	1,881,000
BRITISH SOUTH AFRICA	19	43	28,606,000	4,489,000
BRAZIL	20	5	28,579,000	110,301,000
AUSTRALIA	21	28	27,167,000	12,504,000
PANAMA	22	42	23,728,000	4,590,000
CHILE	23	16	21,462,000	39,977,000
COLOMBIA	24	10	16,052,000	75,480,000
VENEZUELA	25	22	15,645,000	26,845,000



OTHER CHIEF SUPPLIERS

8	BRITISH MALAYA	$83,073,000
14	DUTCH WEST INDIES	50,817,000
21	DUTCH EAST INDIES	34,240,000
23	CZECHOSLOVAKIA	23,162,000
24	SWITZERLAND	23,[illegible],000
25	NORWAY	18,[illegible],000

FOREIGN COMMERCE DEPARTMENT
CHAMBER OF COMMERCE OF THE U.S.A.

We have recently witnessed the conversion of England to the revived mercantilist or money-trade policy, and she has joined the nations which are striving to export without importing. It is fair to say, though, that although the policy seems suicidal for a territorially small nation with a surplus population of many millions, which cannot exist without large imports and cannot thrive without a great export trade (which is impossible without its counterpart in imports) England has been driven to it. Before the War, but much more since, England found that owing to her loss of manufacturing predominance her trade was ceasing to be characteristically reciprocal. Manufactured goods were pouring in from all over the world and were destroying the industries upon which she depended for her side of international barter. No doubt it was to the interest of the individual British subject, for the time being, to buy an American automobile or a German stove, but the time was in sight when his passing benefit would leave him "broke" and jobless and without the means of buying what he must buy, unless he was to revert to the simple life of his barbarous forebears—and probably to something like their small numbers.

It is only by reason of foreign trade that 40,000,000 Englishmen live where there were scarce 8 million 130 year ago. England has found that trade between nations is no longer just mutually beneficial trade between individuals. On the contrary it makes and breaks nations. In the United States we are accustomed to see regions larger than England decline and fall in relative commerce and prosperity, but other regions benefit—and both gain and loss are all in the family. If the German is more efficient than the Englishman, biology says that he ought to fade and pass but the Englishman has come to the conclusion that he does not care to be abolished by biology. And he is not wildly enthused by the idea of passing from the world stage for the benefit of some other manufacturer who can produce goods more cheaply.

But England is not giving up her international trade in exchange for a circumscribed existence on taking in her own insufficient washing. She is merely putting herself into a good position of political control from which to launch an offensive for a reorganization of her trade, based on some degree of approximation to the old reciprocity of exchange. She has a lot of wealth yet and she can stand some great sacrifices to the individual while she is trying to compel a reshaping of international trade that will assure national economic existence and prosperity.

To put it briefly England has taken up the tariff clubs in order to beat down tariffs.

She has resorted to wholesale tariffs in order to enforce reciprocal tariffs on other nations. She will barter tariffs against tariffs in order to restore fundamental barter of goods.

If the world were made up of nations of the size, population, territorial extent, diversity of climate resources and products of the United States, international trade would naturally and properly sink to very low levels. It is expensive and wasteful to trade American wheat for British machines if a mutually satisfactory trade can be made at home between the American farmer and the American machinery maker. Our Sioux Indian would have found it handier to trade buffalo robes with Sioux if there had been aboriginal producers of good fire-arms.

Europe, as a whole, would be immensely wealthier and more prosperous today if Napoleon had held his conquests and founded a lasting empire. If Europe were a nation the weal of the nation would coincide with the collective good of the citizens of Europe. There would have been regional reciprocity of trade based on the survival of the best and fittest production. Specializing on their selected lines of production the different regions that are now independent nations would produce more in the aggregate, and so could buy much more in the aggregate than they do now. Free trade among 300,000,000 people would be an enriching relation. That was what Briand dreamed of. **It is free trade** among 120,000,000 people in the United States which has been the great factor in American commercial prosperity, no matter what stimulative value may attach to the protective tariff fence around the rim of the continent. World free trade would have a comparable result in the end—but it might be the Chinaman instead of the American who would survive to enjoy its blessings.

Trade Makes Wealth

The British have been a great trading nation these three hundred years. They know above all other peoples that it is trade that makes wealth, whereas production only makes the material of wealth. They understand full well that in their geographical position and territorial littleness foreign trade is their national life-blood. So it may be said that England, having found that free trade is a mockery in a trading world that leaves it to one or two nations, has entered upon an era of protection with a view to widening the freedom of her trade.

She says that if she must be denied full freedom of trade, which was once the law and the prophets of her economic

faith, she will first seek some approximation within the British Empire of that freedom of trade that prevails on the American continent behind the tariff walls of the United States. Not having written imperial free trade into the nebulous constitution of the Empire, and not being able to graft it there now, she purposes to create a substitute for it by trading tariff concessions with the dominions and dependencies. Her recent revolutionary tariff legislation gives her tariff trading stock. From now on the other states of the Empire will have to contribute something more substantial than an occasional singing of "God Save the King" to the maintenance of a preferred place in the markets of the motherland. Behind their already stiff tariffs against the world in general the colonial satellites must open wider the doors in their tariffs against British goods if they expect England to give them preferential spillways in her new tariffs.

An Imperial Home Market

It is the British hope that there may thus be created a degree of commercial reciprocity throughout the Empire which will lean toward leaving the tight little isle the lion's share of the manufacturing of the Empire while the other partners concentrate on raw materials, foodstuffs and various manufacturing specialties. It may not be realized—this hope. Self-containment may have bitten too deep into the dominions with their rising consciousness of nationality. The chances are, however, that the plan is so rational that it must make headway. The coming Imperial Conference at Ottawa may mark a new turn in the trade policies of a large part of the world.

But the new English policy of bartering markets for markets, of trading tariffs for tariffs has more than one string to its bow. Besides her political dependencies Britain has independent nations that are her economic subsidiaries. The British market is their life; now they will get a chance to give trade for trade. In some cases these economic subsidiaries will have to be treated about the same as the political dependencies.

Possibly the whole scheme of an imperial tariff barrier against the world and freer trade within will collapse when the economic and political sectors of the Empire clash, as they certainly will. In that case Britain will turn to the third string on her bow—and that is the string of tariff bartering with all comers to the great British market. It will be attached to the bow from the start for the purpose of beating down discriminatory or inequitable foreign tariffs. If the Empire is only a legend and a sentiment, John Bull will seek impartially throughout the world for such reciprocity of tariffs and of products as will enable him to exchange the manufactured goods of his dense population in return for materials and foodstuffs. He has 20,000,000 people who can live only by trading their labor for foreign goods. Self-preservation is not the last law with John. He will find subsistence for those people in or out of the Empire and he is going to find it while he still has a lot of political and economic power to wield.

England's Tariff Huckstering Advantage

In tariff mutualization Britain's lack of the elements of insular self-containment becomes a strength instead of a weakness. Her agriculture has been reduced to such insignificant proportion that it can be ignored or sopped with subsidies and quotas. She has no forests of commercial proportions and no primary forest industries to consider. Her outstanding raw materials—coal and iron—while supporting her industrial fabrics, are also adaptable to export as such without conflicting with markets for their products. For example, Argentina and Brazil need coal. Even France has to import coal.

If England should meet with success in her new policy of freer trade for herself through restriction of the freedom of other nations in her markets the other great industrial nations may have to follow her example in reverse and lower their tariffs for bargaining purposes.

France, in fact, has applied a similar policy ever since she began the rearing of her modern colonial empire, and some part of her present economic strength is due to

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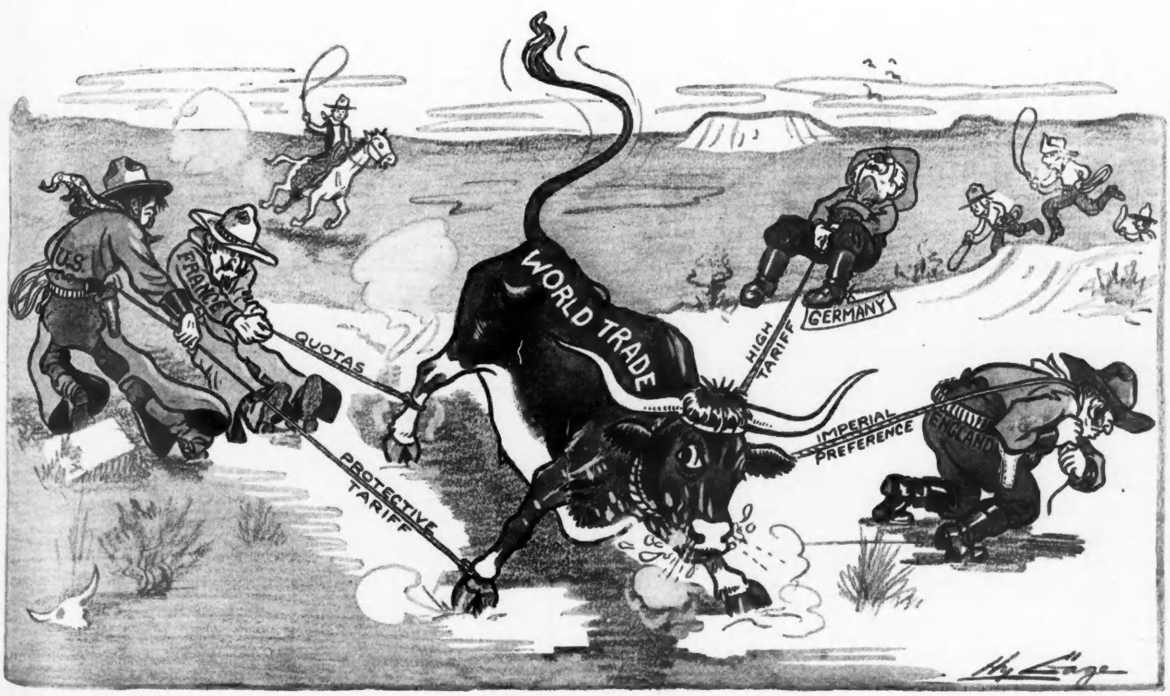
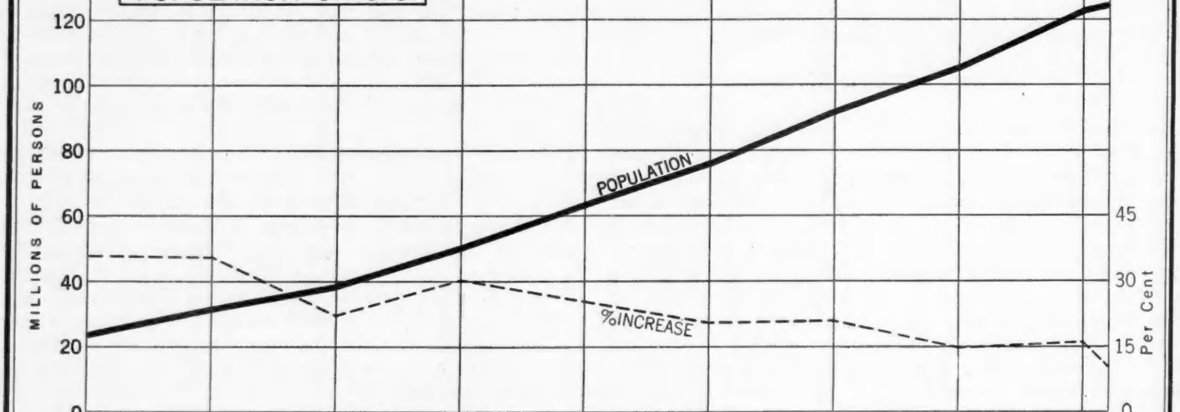


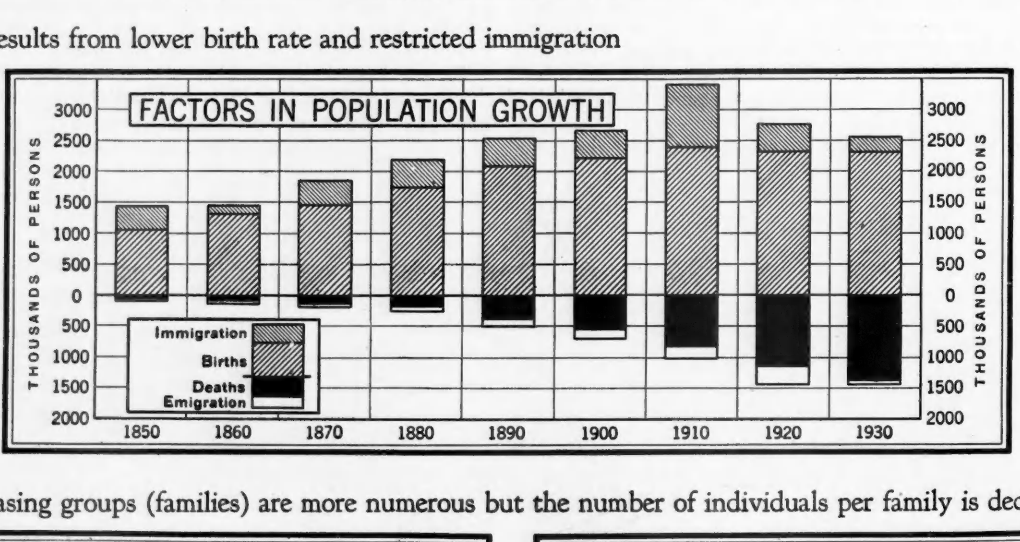
How Big Is Our Future Market?

By Thomas R. Carshaw

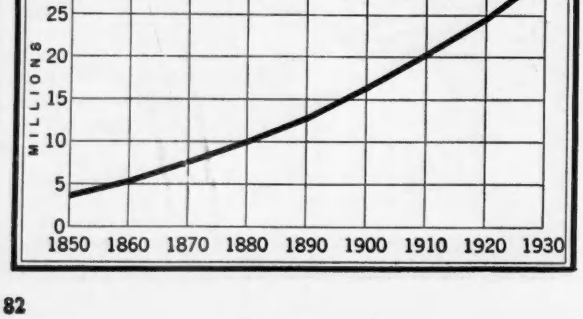
New consumers increase at slackening annual rate. By 1950 it is indicated that the population of the United States will be static around 150 million

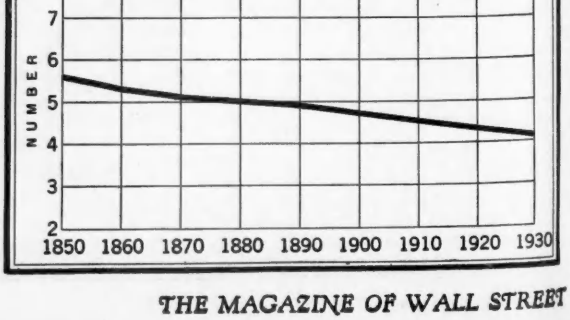


This results from lower birth rate and restricted immigration



Purchasing groups (families) are more numerous but the number of individuals per family is declining



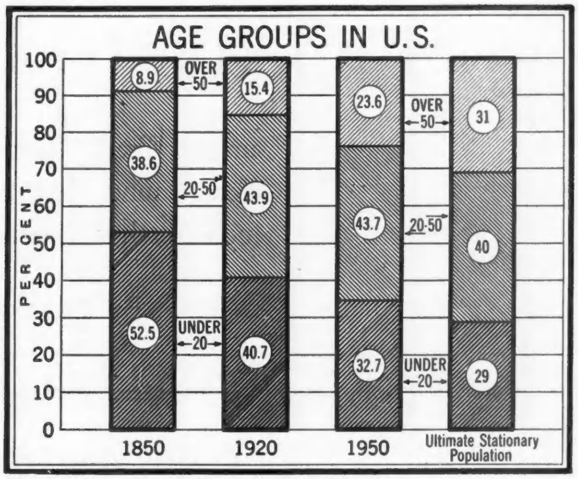


A Long Range View of the Problem Industry Must Face with the Changing Character and Rate of Growth in Population

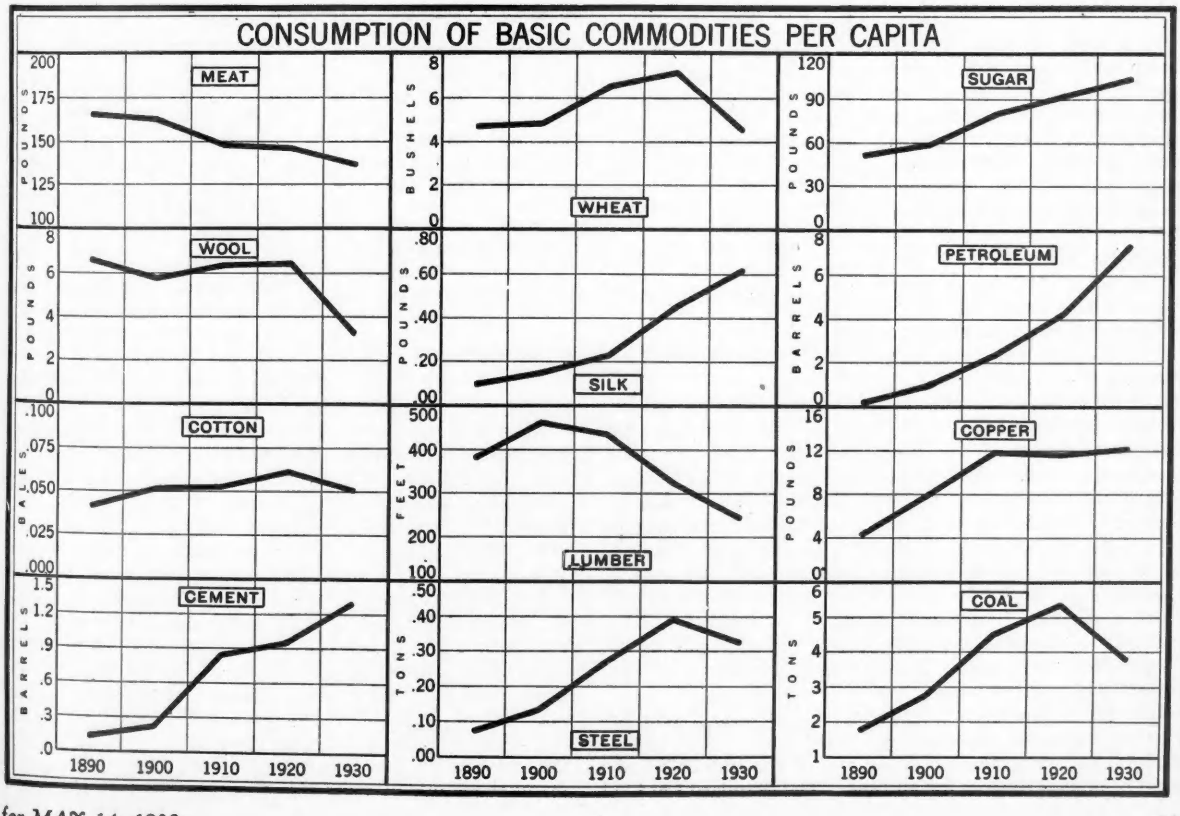
From this trend it is apparent why the average individual age of the nation increases. Just as in older European countries where population growth has slackened, an increasing proportion of older people is to be expected. This means potentially at least greater national productivity, employment at more advanced years than is now common practice and shorter working hours. It suggests possibly a slight increase in consuming power.

From the charts below, however, it seems improbable that any material increase can take place in the consumption of basic commodities. This of course means a cessation of dynamic growth for several fundamental industries. On the other hand, the less essential industries, including the luxuries, and the industries concerned with the production of services such as electricity, communication and transportation should continue to meet growing markets for many decades if individual wealth and income continue their established favorable trend.

As the population becomes more fixed we may look forward to sharper competition, improving sales and advertising technique, more mergers under the urge for fewer and stronger units; but withal a more cautious expansion in both trade and industry. Fantastic plans for future growth will give way to consideration of the means for making the most from the richest market in the world—even if that market does not grow any bigger.



Figures of the Metropolitan Life Insurance Co.



Corporate Mergers Lend Further Impetus to Oil Recovery

Current Trend Toward Consolidation Offers Sound Promise and Can Be Carried Much Further Without Danger of Monopoly

By Edwin T. Fleming

Among the Leading Oil Companies

Name	Total Assets Dec. 31, '31	Working Capital Dec. 31, '31
Atlantic Refining	$160,489,000	$35,287,000
Continental Oil	153,618,000	23,423,000
Gulf Oil	743,871,000	98,059,000
Phillips Petroleum	201,364,000	5,911,000
Pure Oil	216,552,000‡	16,261,000‡
Royal Dutch	317,929,000†	59,376,000†
Shell Union	665,593,000	70,282,000
Consolidated Oil Corp.	376,420,000a	119,056,000a
Socony-Vacuum	1,038,602,000	259,073,000
Standard Oil California	590,730,000	80,866,000
Standard Oil Indiana	762,730,000	214,898,000
Standard Oil New Jersey	1,770,994,000†	561,893,000†
Ohio Oil	180,062,392	26,730,635
Texas Corp.	543,330,000	155,487,000
Union Oil California	202,186,000	47,675,000

† Dec. 31, 1930. ‡ March 31, 1931. a Jan. 31, 1932.

CONSOLIDATION among corporate entities in the oil industry is conceded a logical step as a means toward overcoming many of the obstacles in the way of stability. At the same time, doubtless, the trend toward consolidation has been retarded by the popular antipathy toward large, dominant business units.

The present position of the American petroleum industry is that there are a large number of corporate units which can be termed "dominant" only in the sense that their size notably transcends the smaller organizations—but no single organization exists which even remotely dominates all others, such as in the steel industry or in the telephone field.

This situation arises in part from the well known Standard Oil dissolution decree of 1911. Were it not for that, the American petroleum industry might today boast a really dominant unit. Outside of the United States, where such industrial organizations are considered favorably by rank and file, there are two dominant oil companies representing the bulk of the foreign investment in petroleum—Royal Dutch-Shell and Anglo-Persian Oil, and these two companies have recently pooled their resources in many countries. In the United States, on the other hand, ownership of assets is divided among thousands of corporate units, large and small. Standard Oil Co. of New Jersey, with assets of approximately $1,700,000,000, has about 10 per cent of the aggregate assets of the oil industry within the borders of the country. This is our largest oil company.

The belief had been held in lay circles until a year or two ago that the Standard Oil dissolution decree would prevent any consolidation among any of the former Standard Oil units, probably for all time. The Standard Oil Co. of New York-Vacuum Oil merger of 1931 disproved this view. The merger was duly approved by the courts, and the way was paved for other mergers in this group. The Socony-Vacuum decision, however, was by no means such as to allow full reign to the movement of consolidations in the future, inasmuch as this particular merger was approved because it did not form an organization "dominating all others" in the industry. Since the Socony consolidation was approved, Prairie Oil & Gas Co. and Prairie Pipe Line Co. have combined their assets with Sinclair Consolidated Oil Corp. to form Consolidated Oil Corp. and Standard Oil Co. of Ohio acquired Solar Refining Co., the two latter being former Standard Oil units operating in Ohio. Previously the Standard Oil Co. of New Jersey had taken over the Anglo-American Oil Co., formerly the British marketing unit of the Standard Oil group.

Most important of all, however, are the negotiations now in progress between Standard Oil Co. of New Jersey and Standard Oil Co. of California for a merger of the two companies, having combined assets of approximately $2,300,000,000. Even this deal, if consummated, will embrace less than 20 per cent of the assets of the American oil industry.

The larger consolidations, such as Socony-Vacuum and the proposed Jersey-California combination, have two broad purposes: First, to meet foreign competition more effectively; and, second, to meet the highly competitive conditions in the United States. Abroad, there has been the necessity of presenting a united front against the Dutch-Shell-Anglo-Persian combination, while in the United States the competition has arisen largely from the existence of many thousands of units able to engage with small capital

in one or more branches of the oil business, and favored until recent years by the plethora of money and bounty of nature in providing floods of new oil to provide them a cheap working base.

The merger possibilities within the Standard group are most interesting. From the outside viewpoint there appears to be no reason now why a number of companies could not get together. For instance, it would seem that the addition of Standard of Ohio and Standard of Kentucky to the Jersey-California grouping would be economic and would meet such legal obstacles as were met in the Socony-Vacuum case. There is a greater conflict among some of the other Standard units, especially in the Mid-Continent, which might not allow Standard of Indiana into the above combination. On the Atlantic Seaboard, Standard of New Jersey, Socony-Vacuum and Atlantic Refining Co. compete in the marketing branch of the business.

The more important oil mergers of the past few years are the following:

Standard Oil Co. of New York and Vacuum, to form Socony-Vacuum Corp.

Sinclair Consolidated Oil Corp., Prairie Oil & Gas Co. and Prairie Pipe Line, to form Consolidated Oil Corp.

Ohio Oil Co., Illinois Pipe Line Co. and Transcontinental Oil Co., under the name of Ohio Oil Co.

Advantages of Integration

There has been an effort in these consolidations to build up all-around oil organizations engaging in all branches of the oil business, with as near a balance as possible as between marketing volume, refining capacity and crude oil production and, in addition, the spreading out of operations to embrace more territory, especially in marketing.

The Socony Vacuum merger completes an organization admirably suited to present a strong front to the Dutch-Shell and Anglo-Persian organizations in the Near East and Far East. Vacuum, besides, is a world-wide organization, operating in practically every country of the world. Vacuum, the original Standard Oil lubricating oil specialist, obtained a broader outlet for its products in the United States through the 31,000 Standard of New York marketing outlets in the East. Socony-Vacuum is the second largest oil company of the world, with Dutch-Shell a close rival for that position.

Consolidated Oil Corp. is not only an exceptionally strong all-around organization, but the merger was particularly happy in combining facilities, which previously did not have sufficient outlets. Prairie Oil & Gas Co. held a stock of some 45,000,000 barrels of Mid-Continent crude in storage above ground through record low prices, but this oil now has an assured outlet with Sinclair's extensive retail marketing facilities east of the Rockies. Prairie Pipe Line Co.'s system of 13,000 miles of pipe lines now connects Prairie and Sinclair crude production in the Mid-Continent with the various Sinclair refineries located in the Mid-Continent field and in the Middle West.

The proposed Standard of New Jersey-California merger will be further strengthened on consummation of negotiations whereby the Jersey company will acquire Pan American Petroleum & Transport Co. from Standard of Indiana. The obvious purpose of this deal is to overcome the handicap of an oil import duty now before Congress on the American export trade. Pan American can supply approximately 100,000 barrels of petroleum products to Jersey from its Aruba, Dutch West Indies refinery, operating on Venezuelan crude. This oil will probably largely displace petroleum now being exported from the United States. Standard of New Jersey's export trade from the United States is estimated at between 125,000 and 150,000 barrels daily.

Ohio Oil Co., in acquiring Illinois Pipe Line Co. came into possession of complete pipe line transportation facilities and in Transcontinental obtained a large crude oil reserve, about 40 per cent of the Yates oil field of west Texas, together with refineries and marketing outlets.

Mergers Check Distress Selling

Most of the advantages apparently accruing to the oil industry from the consolidations completed or under way are in the nature of eliminations of untoward conditions and do not result from the intrusion of new factors into the situation. It is encouraging to observe this trend towards the clearing away of sore spots. One notable weakness in the producing section for instance has been the great number of separated competitive units. This has caused a condition wherein a large crude producer would find itself without buyers for all its output, resulting in distress selling. The same situation has existed in refining and marketing. Thus every merger resulting in the formation of a well-rounded organization is regarded as a constructive factor in helping to complete the stabilization of the American oil industry.

Even a cursory study of the set-up of many organizations in the domestic oil industry reveals that there are still many unbalanced companies, which could logically be strengthened by appropriate combinations with others, and it would therefore appear that the period of mergers is by no means completed.

The future will doubtless witness the formation of four or five huge companies furnishing one another with healthy competition, but still clearly dominating the field. With such organizations efficiently managed and conducted under the full light of public gaze, the petroleum industry will at last attain a degree of stability which will ensure equitable dividends to oil stockholders.

© Spence, from Ewing Galloway

Excessive Production is Susceptible to Control

"Now Don't Quote Me, But—"

As reported by the "Itinerant Economist"

The Battle of Containers

"We find the tin can a most satisfactory container for our product, but we are of course always on the lookout for improvement," a manufacturer of foodstuffs recently told us. "We have experimented with glass and we have watched the development of other transparent non-breakable metals with much interest. Now, we are most impressed with the possibilities of a thin sheet aluminum package which we understand is to shortly be made available. Because of the fact that aluminum can be readily drawn, the aluminum can will have only one lid instead of two. The bottom will be of one piece without sides. The aluminum surface will lend itself to the lithographing of our labels even better than tin, we believe, and should make an ideal sterile package if it can be offered cheap enough in quantity. Of course, one of the difficulties in this regard is the fact that aluminum is more expensive than steel plated with tin which is what tin cans are made of. For this reason it is desirable for the manufacturer to make the aluminum container of as thin a metal sheet as possible; and unless some way of giving particular strength to the container is found there is a danger that it will crumple under weight."

"How about the resale value of a used aluminum container?" we asked. "It should find a good market," was the answer, "since it could be readily melted up, for aluminum, like copper, is one of the indestructible metals. Unquestionably, there is a competitive battle in the making among container manufacturers which will affect tin plate manufacturers as well. The fray will be still more extensive when the new contenders in the form of the aluminum producers get into production."

Stop Price-Cutting!

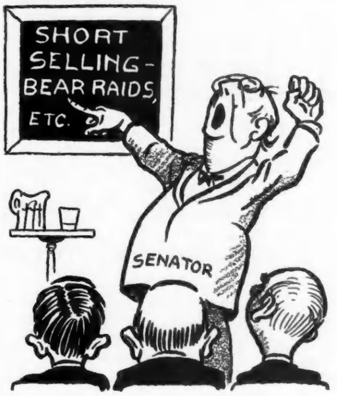
"Economists can theorize indefinitely about the causes of the continuing decline in commodity prices," said a large manufacturer of industrial machinery, "but I can put my finger on the real cause because I see it working every day. The fact is that the large industrial corporations are using their purchasing machinery to beat down the price level still further. Unable to profit on the prices available for their own goods, they attempt to make up the gap by buying their raw materials in the cheapest market possible. Under present market conditions it is perhaps natural to expect such tactics to be pursued by the purchasing agents of automobile manufacturing companies, but the practice credited to them is now being adopted, with varying degrees of success by manufacturers in many other fields. Cut prices may seem an advantage to the consumer, but they also lower wages and may easily develop an orgy of destructive merchandising.

"A recent construction job for the Government called for considerable brick-work. A local bidder eliminated overhead and submitted a proposal to take the contracts at the cost of labor and materials. When the bids were opened another distant firm was found to have cut under him. Investigation showed that the successful bidder had allowed himself only a dollar a day for labor. The purchasing agent of a prominent oil-refining company frankly told the manufacturer of steel barrels that the price on the next lot must be cut one-third as oil was selling at below cost and his company was compelled to make up the loss in large part by paying less for supplies. A contractor in a mid-western state cut his bid several thousand dollars on a highway bridge and by jockeying the mills which needed the tonnage was successful in obtaining a reduction in the current price of structural steel to recoup himself. Innumerable examples of forced price-cutting could be cited. They probably can be found at all times, but it is a practice pursued in prosperous days only by the unscrupulous. Today it is being indulged in by the best of companies. And it is probably accountable for the continued weakness of the commodity markets in general. Recovery will follow only when prices are adjusted at a basis which offers some stability. Stability to the commodity markets will be the first indication that the trough of the depression has been passed. But before that can be cut-prices must first be banned from respectable society."

Publicity for Short Selling

"As far as I can tell from my own business, the Senate's investigation of the stock market has had a curious effect," observed a partner in a leading Wall Street commission firm. "It has definitely checked short-selling among what you might call the professional type of trader. Speculators who deal in thousands of shares know that the Senate Committee may at any time dig into the transactions of a particular day. They also know that its attention will be concentrated on large, rather than small, traders. Not wishing to risk having the limelight of publicity focused upon them, many are simply sitting upon the fence. On

the other hand, my records indicate a definite increase in 'small fry' short-selling from all parts of the country. This may be due in part to the fact that the investigation is ignoring such transactions, but I rather suspect that it results from the first page advertising that short-selling has received at the hands of the Senate. A great many uninformed individuals have awakened to what is, to them, a new money-making game—awakened probably too late to make much money at it!"



Blue Chip Trouble

"If I may put it a bit cynically," remarked an officer of an investment trust of the management type, "every dog has his day. Management trusts, such as ours, were in high public favor in the booming days of 1929 and numerous investors apparently labored under the delusion that we were financial magicians. The crash produced a terrific back-wash. Instead of buying shares of management trusts at a premium, the public would have none of them even at a substantial discount under actual portfolio values. Instead, it turned more or less avidly to fixed trusts in which the element of managerial discretion was reduced to a minimum. What could be wrong with the theory of buying, at low cost, a certificate representing a diversified share in twenty or thirty of the strongest corporations in the country? One of the things wrong with it was that the cost of such participation was invariably above the market prices existing for the underlying securities, but that is a small matter. The main thing is that it has proved to be an unintelligent and indiscriminating form of investment because of its rigidity. Its major appeal is based on the popularity of "blue chips" which did well in the past, but which are not necessarily doing well now and may not do at all well in the future. It is a safe bet that many of the stocks included in most fixed trusts now would not have been so included ten years ago. Similarly, in any current selection of twenty or more leading issues some will inevitably turn sour in the next decade. The management trust has an inherent advantage in being able to keep up with changing developments and being able to change its mind. We have made many mistakes and will make others, but we have made fewer than has the average investor and I'll wager that our ultimate record will be better than that of any fixed trust which relies upon past reputation rather than current knowledge."

Spreading Out Public Jobs

The veteran Congressman who had just come from a talk with the President was ready to blow off when he encountered me. "This Congress is the most puzzling mess I ever saw," he spluttered. "They are all decent, patriotic men and they are earnestly intent, individually, on doing the very best job of legislating for the good of the country that they can. Yet they generally choose the worse of the alternatives before them. You know the President is doing everything in his power to further the application of the idea of spreading out the available work which your Magazine has been advocating. So he recommended to Congress that the reduction of the pay of Government employees be accomplished by giving everybody a month's furlough without pay and suspending the usual month's vacation with pay. His plan figured out a cash saving of about ten per cent more than the 11 per cent reduction plan, and at the same time gave part time work to many thousands of substitutes. Now you wouldn't think anybody in his senses would hesitate to say it was the better way. Well, the House turned it down with a slam. Then they were up against a straight salary reduction alternative, and few had the nerve to vote for that. Now they are nowhere. And the country is nowhere. It is pitiful. The biggest reconstruction job Congress could have done was to have voted an adequate revenue bill in December and a big slash in expenses immediately thereafter. Here it is May and nothing done and everything going steadily to the depths, and the clamor for fiat money getting noisier all the time. They do these things better in England. I suppose that by the time we adjourn we'll do approximately the right thing but then it will be too late to have an inspiring effect on the country. The trouble is that we are only rubber stamps. Nobody can lead us and we can't follow."

Mill Hands Turn Gardeners

"The hardships of this depression come home in a personal way far more to executives of manufacturing industries in small towns than they do to the big boss who resides on the 29th floor of a Park avenue apartment," said a southern mill owner who has been in New York and Washington trying to fathom the ultimate meanings of these momentous days.

"I may say, simply as a matter of fact," he continued, "that several hundred people look upon me as a sort of god. They are simple folk, their living has been derived for many years from my plants, and they ingenuously conclude that it is my business to keep on providing them with means of living. And I've got to play the role in which they have cast me. If I were an absentee landlord it might be different, but it is a terrible thing to walk down the street of a little village in which everybody—and you know everybody—is dependent upon you unless you are playing the part. And I do play it. If I lived in New York I suppose I would sign a check for about a tenth of what I ought to make it, hand it to some relief organization rather disgruntedly and then fire some servants or cut down the office force.

"I haven't signed any checks for relief, that is not of any size, but this is what I have done—just forced to do it—don't take any credit for it. I have kept the mills running part time, actually losing money every day they run, until I have filled the yards to overflowing with stocks, when the statisticians of the industry are telling me it is my group duty to reduce inventories. Every regu-

(*Please turn to page* 127)

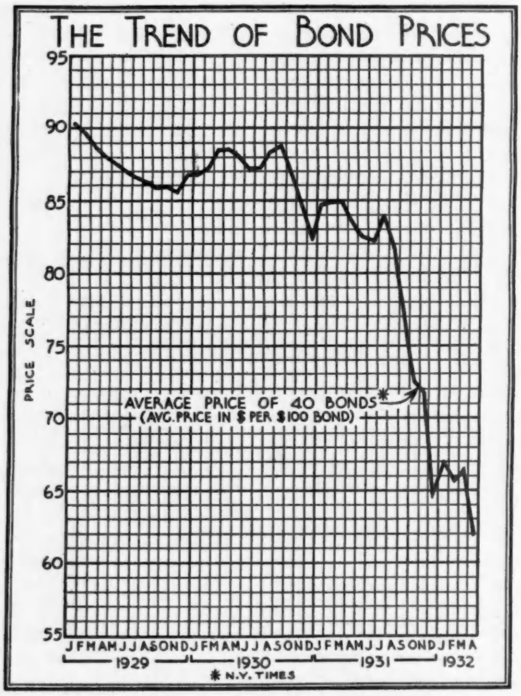
Investors Study Effect of Reserve Board Bond Buying

Stronger Market Should Be First Indication That Credit Expansion Policy Is Meeting Success—What the Individual Buyer's Program Should Be

By LAURENCE STERN

THE aggressive credit expansion policy now being pushed by the Federal Reserve System is of prime importance to bond investors, since it is generally agreed that, if this program is to be successful, its first effects should show up in a stronger bond market.

Although some classes of bonds have experienced a modest recovery from the lowest level of the year, bond prices on the whole remain abnormally low. The majority of bonds are low for the same reason that stocks are low, their values being affected by the trend of corporate earning power and of general business activity. High grade bonds, despite increasing ease in money rates, are substantially under the best prices of 1931 and reflect the timidity and caution of investment capital, particularly that capital which is at the disposal of the banks.



In any recovery of business activity and of investment confidence, it goes without saying that all classes of domestic corporate bonds should advance materially above present levels. Since the announced purpose of the Reserve program is to achieve precisely these results, through the gradual stimulus of expanding bank credit, it follows that success for that program will mean higher bond prices.

The Reserve System is purchasing Government bonds at the rate of approximately $100,000,000 per week—the three-weeks' total at this writing having been $306,000,000. Such bonds are being sold to the Reserve, at generally attractive prices, by banks and individuals, with the result that there is a corresponding increase in cash bank deposits, a reduction in member bank borrowings from the Reserve and an increase in liquid reserves of the member banks.

It is the ultimate pressure of increasing reserves that is expected to lead the banks into credit expansion, if surplus funds are not to remain in unprofitable idleness. But whereas the ordinary resort of banks under present conditions would be Government bonds, these are rendered less attractive because the Reserve System's heavy purchasing program necessarily involves an advance in prices.

The first alternative for the banks is to turn to the highest grade corporate bonds of which the supply available at attractive prices is limited. Up to this point, there is no cause to doubt the effectiveness of the Reserve program. Beyond it, however, we reach the theoretical. As prices of the best bonds advance, it is expected that the banks, as well as other investors, will be attracted to bonds not now regarded with favor. Higher prices in the upper classes of investment, according to the theory, should result in a gradual filtering down of general investment demand into lesser grades of securities, both stocks and bonds.

Similarly, the pressure of idle funds in the hands of the banks is expected gradually to induce them to accept commercial credit risks which they now appear reluctant to assume. This would mean a relaxation and expansion of business credit, an increase in business activity and a recovery, of greater or lesser extent, in commodity prices.

Behind the whole program is a determined intention to lift the general level of commodity and security values through credit expansion in order that existing debts and obligations, contracted on a much higher value level than now exists, may be more readily met. In this plan there are many "ifs." There is also disagreement among economists as to its fundamental soundness.

There is much to be said for artificial credit control, since deflation in its late stages is largely automatic. The greatest possibility of error is the timing of artificial expansion, with

proper regard for the completeness or incompleteness of the more basic adjustments of economic supply and demand.

After the war-era inflations of the past, commodity prices have always declined, working out their own full adjustments. Returning prosperity has been founded on the adjustments thus made, together with the reduction of excessive obligations through the painful process of individual economy and saving, or default, the transfer of mortgaged property to new owners and the re-scaling of capital obligations.

It is this terrific upheaval that throughout the depression we have sought to avoid or postpone. Through the Reconstruction Corporation, we are adopting the expedient of transferring private obligations on a large scale to Government credit. If commodity prices can be raised, our obligations in the long run can be met.

It need hardly be said that, if it is possible to attain a higher price level through essentially artificial means, it is not possible by the same means *alone* to maintain that level indefinitely. What is actually hoped is that, after using the pulmotor, the business patient will be able to breathe for himself and that genuine revival would support the lifted base.

Whether it will or not is beyond present conjecture. The bond investor can only await and observe the course of events in coming months. A sound bond policy, however, must be shaped with regard for long-term investment. As long as there is a possibility that ultimate recovery may have to start from a low level of commodity values, even after temporary inflationary interruption, caution and conservatism on the part of the long-term investor is demanded.

Second grade and speculative bonds should be avoided. Some of these no doubt have the widest possibilities of appreciation, but likewise offer the largest risk of serious loss. To those already owning such bonds, generalized advice is useless. With many issues already at quotations which would seem virtually to discount even receivership, it is late in the day to give free rein to wholesale fear. It is not too late for re-examination of all bond-holdings, however, and for elimination of issues in which there is a threat of serious further loss. If the investor lacks facilities for such re-appraisal, skilled and disinterested advice should be sought.

So far as new buyers are concerned, there appear to be only two conservative courses open. First, short-term issues of the highest grade in which capital can be kept liquid; and, second,

(*Please turn to page* 121)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest* Times earned 1930	1931	Recent Price	Yield to Maturity
Norfolk & Western 1st Consol. 4s, 1996....	112	41	7.5	5.3	89	4.5
Atchison, Top. & Santa Fe Gen'l 4s, 1995..	311	152	3.9	2.7	85	4.7
★N. Y. Central & H. R. Mtg. 3½s, 1997....	584	94	1.6	1.0	74	4.8
Union Pacific 1st 4s, 1947................	360	100	3.5	2.7	91	4.9
★Northern Pacific Prior Lien 4s, 1997.......	313	107	2.2	1.6	80	5.0
Pennsylvania Consol. 4s, 1948............	607	20	1.9	1.3	89	5.0
Missouri-Kansas-Texas 1st 4s, 1990.......	107	31	2.8	1.3	69	5.8
★Chic., R. I. & Pacific Gen. 4s, 1988.......	321	60.6	1.6	1.0	64	6.2
★Erie R. R. Consol. Prior Lien 4s, 1996.....	261	35.0	1.3	1.0	65	6.2
Baltimore & Ohio First 4s, 1948..........	604	82	1.7	1.1	66	7.7
Kansas City Southern 1st 3s, 1950.........	65	30	1.5	1.1	54	7.8

It should be noted that in the above railroad list some companies are hardly earning fixed charges on the entire funded debt, but since the selected issues for this classification are all prior lien issues, interest is earned amply for such senior issues.

Public Utilities

					Recent Price	Yield to Maturity
Cincinnati Gas & Elec. 1st 4s, 1968........	35	35	5.3	5.3	90	4.4
Phila. Electric 1st Ln. & Ref. 4½s, 1967..	166	34	3.1	3.2	100	4.5
Duquesne Light 1st 4½s, 1967............	65	65	6.7	5.7	97	4.6
American Telephone Coll. Trust 5s, 1946...	471	68	6.1	6.4	102	4.8
Detroit Edison Gen'l & Ref. 4½s, 1961....	129	50	2.9	2.9	94	4.8
Illinois Bell Telephone 1st & Ref. 5s, 1956.	57	49	4.0	4.9	103	4.8
★Pacific Gas & Elec. Gen'l & Ref. 5s, 1942..	311	36	2.6	2.5	101	4.9
★Amer. Telephone Deb. 5s, 1965............	471	150	6.1	6.4	98	5.2
N. Y. Power & Light 1st 4½s, 1967......	67	66	3.0	2.8(e)	88	5.2
Pennsylvania Pwr. & Lt. 1st 4½s, 1981....	131	121	2.7	2.6	84	5.4
North'n States Pwr. 1st & Ref. 6s, 1941...	100	8	3.2	3.4	101	5.8

Industrials

				Call Price		
Standard Oil of N. J. Deb. 5s. 1946.......	169	120	7.4	102	102	4.8
Swift & Co. First 5s. 1944................	53	23	3.7	102½	100	5.0
Lorillard (P.) Co. 7s. 1944................	20	9.2	2.8	NC	106	6.3
Bethlehem Steel 1st & Ref. 5s. 1942.......	118	13	4.3	105	79	8.1
Goodyear Tire & Rubber 1st & Coll. 5s. '57	63	56	2.8	103	65	8.4
★United Drug Co. (Del.) 25-Yr. Gold 5s, 1953	42	40	10.0	105	63	8.9

High Grade Short Term Issues

	Due Date	Amount This Issue (Millions)	Price Call	Price Market	Yield Income Basis	Yield Maturity Basis
Cord Products Refining 1st 5s	5/1/34	1.8	105	103	4.8	3.7
★Detroit Edison 1st & Coll. 5s..........	1/1/33	10.0	NC	101	4.9	3.9
★Amer. Telephone Conv. Deb. 4½s.....	1939	12.9	105	102	4.4	4.2
Union Elec. Lt. & Power Ref. & Ext. 5s	5/1/33	6.2	NC	101	4.9	4.3
N. Y. Telephone Gen'l 4½s	1939	61.0	110	100	4.5	4.5
★Norfolk & Western Imp. & Ext. 6s....	2/1/34	2.0	NC	103	5.8	4.5
Chicago Gas Lt. & Coke 5s............	1937	9.9	NC	99	5.1	5.2
Portland Gen'l El. Co. 1st 5s..........	1935	6.8	107½	96	5.2	6.5
★Bethlehem Steel Purchase Money 5s...	1936	22.3	105	89	5.6	7.9

* On total funded debt. NC—Not callable. (e) Estimated.

★ NOTE: Our preferences in the above lists.

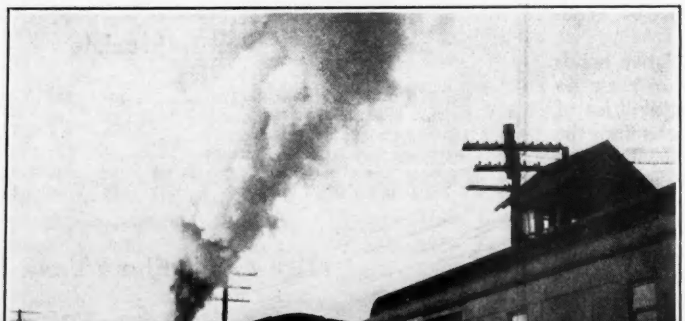
SOUTHERN RAILWAY

Fall in Earnings Turns Attention to Senior Issues

Speculative Appraisal of Shares Wipes Out 200 Millions of Market Value, While Rise in Bond Yields Discounts Revamping of Capital Structure

By FRANK L. ST. JOHN

TWO years ago, with the stock market crash six months in the background, Southern Railway common and preferred stocks sold at a combined valuation of 225 million dollars. Its First Mortgage Bonds were still considered gilt-edged investments. Even a year ago, with growing realization that early appraisals of the duration and extent of the business depression had been based only on unwarranted hopes, stock market sentiment placed a valuation of 125 million dollars on the stock issues, though bankers were beginning to show concern over the standing of the bonds. At recent prices, 10 million dollars would have bought the entire preferred and common stock issues, while the bonds long since have passed into the group of speculative issues, with the Consolidated First Mortgage 5s yielding around 7% and the junior issues from 15% to 20%. The market appears to have weighed carefully the possibilities of a reorganization, in which the senior bond issue would be fully protected while the junior obligation would fare less satisfactorily.



Cushing Photo from Nesmith

During 1930, when the present down swing in earnings and traffic began to gather headway, prime railroad bonds, because of their riskless character, still sold to afford average yields to maturity of approximately 4.3%, Southern Railway Consolidated 5s averaging 4.64%. Their relatively higher yield was solely due to the fact that the road's development lagged behind those roads whose traffic, credit and earnings had undergone a longer period of improvement. Southern Railway Development & General 4% Mortgage bonds due 1956 afforded an average yield of 5.02% in 1930. This return, although comparatively liberal, was not very high for a junior issue.

Early in 1931, the yields of Southern Railway issues gave no indication of any great difficulty immediately ahead. True, earnings were declining, but the company's treasury position was strong. Nevertheless, the results during the year 1931, especially, those of the latter months, began to indicate a serious situation. Not only did traffic decline steadily, but earnings from subsidiaries decreased to a point where the parent company will lose for an indefinite period, an important source of earnings which were derived in the form of dividends.

It is apparent upon examination of the accompanying table that interest charges were earned an average of 1.89 times annually during 1923-1931 inclusive. Between 1923 and 1930, interest charges were earned an average of 2.04 times and during the years 1924 to 1929 inclusive, never less than twice. The maximum, 2.32 times, was shown in 1926. In 1930, interest charges were earned 1.51 times, a margin still high enough to

permit the retention of the Southern Railway liens on the list of bonds legal for savings bank investments in the State of New York. During 1931, however, only two-thirds of the interest charges were earned—.66 times to be exact.

Both passenger and freight business declined severely during the past two years. Passenger business, especially, has been unsatisfactory for many years, and losses from this source appear to be permanent. In 1923, Southern Railway reported a total of 14,837,988 passengers carried. By 1931, the latter had declined to 3,283,307 passengers, a decrease of 77.8%. Passenger revenues during the period under consideration decreased from $33,756,011 in 1923 to $12,312,558, a decline of 69.5%. How much some of these lost revenues may be recovered, when more normal conditions prevail, is problematical.

Freight business also has failed to contribute to earnings. Between 1923 and 1929, revenue freight transported fell from 45.5 to 44.5 million tons, a decrease of 2.26%. These changes are shown in the accompanying tabulation:

Year	Tons of Revenue Freight
1923	45,573,936
1924	42,750,281
1925	45,509,581
1926	48,142,441
1927	46,158,865
1928	45,807,934
1929	44,546,151
1930	38,608,638
1931	31,931,751

The increase in earnings available for interest between 1923 and 1929 was due solely to increased operating efficiency. However, when traffic falls off sharply, as has been the case in the past two years, it is difficult to effect a proportionate reduction in operating expenses, and the margin of earnings available for fixed charges declines very rapidly. Fortunately, Southern Railway's funded debt showed no important increase. From 1923 until the end of 1930, mortgage debt totaled $259,213,500. No additional bonds were sold during this period. There was an increase in equipment trust issues, which rose from $26,049,400 to $39,308,200 at the end of 1929; these had been reduced to $31,251,800 as of December 31, 1931.

Southern Railway Income in Prosperity and Depression

Year	Net Railway Optg. Income	Non-Optg. Income	Gross Income	Interest Charges, etc.	Times Earned
1923	$28,128,136	$3,584,166	$31,712,303	$16,575,304	1.92
1924	30,442,128	4,842,661	35,285,381	17,516,240	2.01
1925	35,086,021	5,273,998	40,360,019	17,780,846	2.27
1926	35,528,783	5,856,953	41,385,736	17,789,014	2.32
1927	32,765,065	6,823,149	39,588,212	17,885,303	2.21
1928	30,842,554	6,382,900	37,225,455	17,958,322	2.08
1929	30,030,976	5,785,190	35,816,167	17,687,379	2.02
1930	19,708,162	7,236,159	26,944,321	17,817,808	1.51
1931	8,281,106	3,247,787	11,528,895	17,461,737	.66
					Av. 1.89

In view of the difficulties which current prices for Southern securities may be discounting, it will be of interest to observe the position of the more important obligations and their possible attractiveness at present levels, should a reorganization be essential.

The Consolidated First Mortgage 5% bonds due in 1994, are authorized in the amount of 120 million dollars. As of December 31, 1931, they were outstanding to the amount of $91,997,000. Annual interest charges amounted to $4,588,933. They are secured by a first lien on 1,783 miles of road, which constitutes the most important parts of the system.

Equipment Issues Safe

The position of the equipment bonds is impregnable, because a default here would result in the loss of the company's equipment.

The General & Development Mortgage bonds are authorized to the amount of 200 million dollars; all of these bonds mature in 1956. The 4% series are outstanding to the amount of $61,333,000. The 6% and 6½% series are outstanding in amount of 20 million and 30 million dollars respectively. The latter two issues are equally secured with the 4% bonds, except that the additional 2% and 2½% interest is secured by a supplemental indenture. The company covenants to secure ratably the additional income in the event that any new property is mortgaged under this indenture.

While the results of 1931 indicate inability of the company to earn its entire interest requirements, the latter would not be the governing criterion, in the event of a reorganization. To do so, would be exceedingly drastic and perhaps arbitrary. On the other hand, average earnings available for interest during the years 1927 to 1931, were $30,220,610. From the latter, there should be subtracted possible losses that may arise through the company's inability to receive further dividends from its subsidiaries. A conservative reduction would be 3 million dollars, leaving 27 million available as the average annual earnings for interest on the funded debt. Interest charges in 1931 totaled $12,848,417, excluding charges for the General & Development bonds.

Sufficient earnings, therefore, are available for the First Consolidated bonds, and the divisional liens. On the assumption that 27 million dollars would be available there is left for the General & Development Mortgage bonds, $14,151,583. The present charges on these bonds aggregate $5,603,320 annually. Apparently, on the basis of the past five years' earnings, the General & Development bonds appear safe enough to warrant the hope of their coming through a reorganization undisturbed. However, their current quotation would seem to indicate, in event of reorganization, a reduction of 70% of the General & Development now outstanding. On the basis of 1931 earnings only, they would be unattractive at this level because no earnings were available for interest charges on this obligation.

On the other hand with any increase in traffic, the greater proportion of earnings should be retained for net railway operating income, which would result in a very rapid rise in earnings available for interest. In such a situation, the reduction of the present amount of General & Development Mortgage bonds need not be as drastic as the prices appear to forecast, and the bonds, therefore, may be speculatively attractive around 30.

It is important to bear in mind that Southern Railway is well managed property from an operating standpoint, and should make a highly satisfactory showing under normal conditions. Until the depression developed the system was making satisfactory operating progress, was in a sound financial condition, and enjoyed good credit. It must also be borne in mind that should conditions eventually bring about a reorganization of the capital structure, the rehabilitation would very likely be undertaken under better economic conditions than exist today.

COMMONWEALTH EDISON

Operating Utility Meets Real Test When General Business Slackens

Chicago's Dominant Electric Distributor, Unaffected By Insull Upset, Shows Virtually No Setback in Earnings—Fear of Liquidation and Misunderstanding Appears Principal Reason for Stock's Market Action

By FRANCIS C. FULLERTON

COMMONWEALTH EDISON, one of the largest of the country's electric utilities and the largest steam-generated-power organization in the world, is the companion corporation of Peoples Gas Light & Coke, which was discussed in the preceding issue of THE MAGAZINE OF WALL STREET. Because of this and the further fact that both of these Chicago utilities are under Insull management, this analysis is particularly timely.

Few corporations possess anything like the enviable dividend record of Commonwealth, for it has reimbursed its stockholders every year since 1907, the year of its organization. Taking the predecessor companies into consideration the period of uninterrupted dividends is 42 years. Since 1913, when it reached the annual basis of $8 it has maintained the $8 rate without a break, through all the troubles and vicissitudes of the war, the post-war period, the boom, and the current depression. Nor is there any reason to apprehend any early or probable reduction in this rate. There may be sound reason for assuming that the company has passed a peak in its expansion of facilities and earnings, and that the next several years may see further recessions in the per share earnings, but there is nothing to suggest a drastic cut in earning power, or that a new period of steady growth is only a remote probability. It serves a territory rich in industrial potentialities and in possibilities for widening power consumption.

The Growth of Commonwealth Edison Co. Since 1920

Year	Oper. rev. $*	Oper. ratio %	Avail. for int. $*	Int. on Funded Debt $*	Int. times earned
1920	35.3	70.9	7.2	2.5	2.9
1921	37.1	68.5	8.2	2.8	2.9
1922	43.1	69.6	9.3	3.0	3.1
1923	49.1	68.3	10.6	3.1	3.5
1924	53.7	65.8	13.2	4.1	3.2
1925	58.7	64.6	15.3	4.5	3.4
1926	65.8	63.6	17.7	5.1	3.4
1927	71.6	62.2	19.7	5.7	3.4
1928	77.0	62.1	21.4	5.9	3.6
1929	83.0	62.9	22.5	5.9	3.8
1930	84.0	64.0	22.5	6.1	3.7
1931	80.6	64.6	23.3	7.0	3.3

* Millions of dollars.

In 1884 Chicago Edison Co. was organized and quickly acquired a leading position among the other power companies that were developing the commercial distribution of electric power in the Chicago district. Commonwealth Electric Co. was merged with it in 1907 and the new corporation was styled Commonwealth Edison Co. In 1913 Commonwealth Edison was merged with Cosmopolitan Electric Co. and since that time it has practically controlled the electric power and light field in the city of Chicago. It supplies power to homes, commercial users, to the surface and elevated railroads, and to the Illinois Central Railroad. The company operates under the 50-year franchise granted in 1897 to the old Commonwealth Electric Co., and pays to the city of Chicago 3% of its annual gross earnings.

In 1926 the Commonwealth Subsidiary Co. was formed to take over Commonwealth's investments which did not strictly constitute a part of the utility business. These interests included holdings in coal mines, about 100 miles of coal railroads, outside power stations and power companies, the company's general office building and control of the voting trust certificates for the common stock of the Chicago Rapid Transit Co. The investment in utility properties represented at the end of last year 58% of the subsidiary company's portfolio,

which was then valued at $105,602,000. In February, last, a statement was issued showing that this valuation had decreased to $95,635,000, and it undoubtedly is considerably less than that today. It requires some stretch of the imagination, however, to conclude that this drop in the market or appraised value of the subsidiary portfolio accounts for more than one-third of the drop in the market value of Commonwealth Edison's only stock issue; even though it must be admitted that the outlook for the subsidiary company's investments is not clearly defined, beyond the assurance by Samuel Insull on April 14, last, that its holdings of securities in his investment corporations amounted to but one-tenth of 1% of the total—approximately $100,000. In one sense, however, this subsidiary may be completely disregarded and Commonwealth weighed entirely from the standpoint of an operating company.

Keeps to Operating Field

Through the formation of this investment subsidiary, Commonwealth Edison was divested of non-operating functions and has confined itself since to the production and distribution of electric power. It has been the policy of the management to anticipate the community's requirements and each year has witnessed the expenditure of large funds for extensions and improvements. Expenditures of this type have averaged $22,000,000 a year in the past five years. Besides building up its generating system and keeping it thoroughly modern the company has entered into power interchange agreements with electric utility organizations in nearby territory, which makes it possible to take care of peak loads and assures the company that any sudden expansion in demand exceeding its own generating capacity will be taken care of with no difficulty. Commonwealth's four stations have an effective capacity of 1,128,000 kilowatts, while its interchange agreements and power supply contracts increase the capacity of the company to 1,321,000 kilowatts with very little additional construction outlay. About 30% of the energy distributed in Chicago now comes from out-of-city stations and it is probable that future increases in demand will be supplied from this source rather than from any substantial expansion of Commonwealth's own generating stations.

In the past 12 years Commonwealth Edison's operating revenues and net earnings have increased consistently, with no apparent reflection of current general conditions. Businesslike, conservative management has enabled the operating ratio to be reduced right along. At the same time it is observable that the increase in the number of shares outstanding was at a rate slightly out of line with the general progress of the company, for earnings per share reached their high point in 1927 although the actual dollars available for dividends increased from 14 millions in 1927 to 16.4 millions in 1930 and in 1931 totaled 16.3 millions. These figures are shown in detail in the accompanying tabulation, with some other interesting data tending to confirm the accuracy of the earlier deduction that the company appears to have passed a temporary peak in per share earnings but has encountered no drastic setback in its general business.

Yet notwithstanding all this we find the stock of the company selling at the lowest price in its history. In 1907, the year of its organization, it paid a dividend of $1.25, and the stock ranged between 77 and 87⅝. In the next year 78 was the low and the issue crossed 100, to a high for the year of 110. Never again, until this year, did the stock sell below 100. In 1917 and 1918, after it had been for three years on the $8 annual dividend basis which has been uninterrupted since, the stock touched low levels of 100, and again in 1920 a few shares changed hands at the low of 100.

Stock Sold at 449¾ in Boom

In the last of the recent boom years Commonwealth Edison was looked upon as a giant whose growth was only in the early stages. In that year it offered new stock to shareholders in the ratio of 1 new for 8 held. The rights, which expired September 30, sold up to 30¼ and the stock of the company sold at an all-time high of 449¾. Four weeks later the stock market speculative bubble burst, and the country entered upon the long depression with which we are still contending. But the stock resisted the shock well, and entered 1930 with confidence. Another offering of stock was made that year to stockholders who were able to buy 1 new share for each 10 held. But the lowest at which the issue sold in 1930 was 220 and only a year ago it recovered to 255½. Then it started on the long slide which established its low in 1931 at 108, from which it recovered to 122 on January 13 of this year, and dropped from that level to 50 on the eve of the Insull management receivership, although its position as an operating self-sustaining entity is assured regardless of holding company difficulties. At 450, the approximate 1927 high, the 1.1 million shares then outstanding had a stock market valuation of almost 500 million dollars. At the recent low of 50 the currently outstanding issue, approximating 1,750,000 shares, had a stock market valuation of but 85 or 90 millions. Yet during all the intervening period the company had continued to increase its total earnings, had demonstrated its strength of position, its ability to earn its interest charges approximately 3¼ times, had earned its $8 dividend with a margin of never less than $2.40, and had just released its

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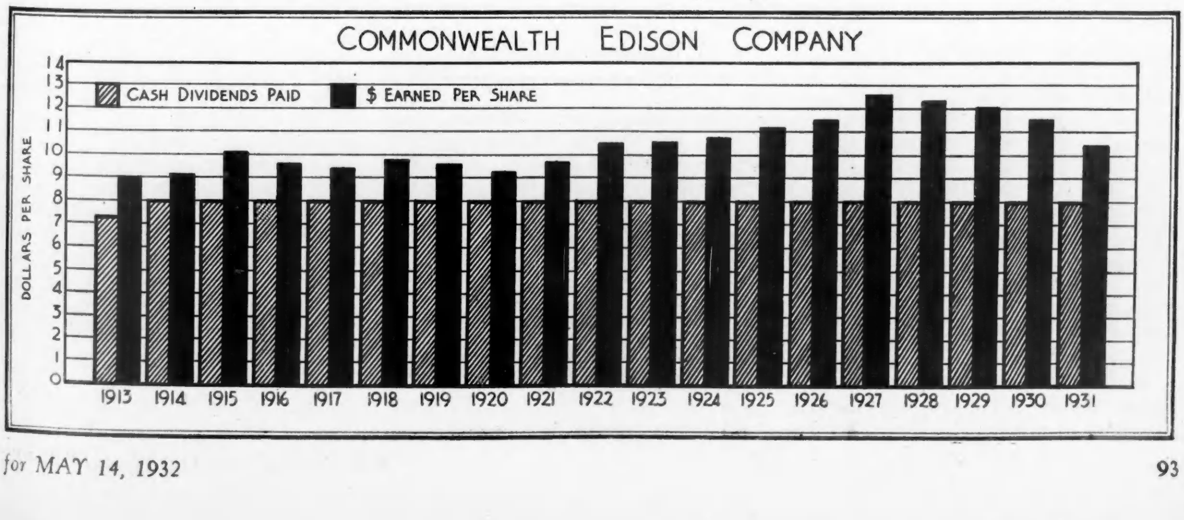


INDUSTRIALS

U. S. STEEL CORP.

Steel

As a Corporation — *As an Investment*

America's Leading Industrial Suffers So Severely in Depression That Sight Is Lost of Earnings Record and Past Ability to Regain Prestige—Hidden Values Suggested by Heavy Charges for Renewals and Depreciation — Clues to Market Trend

By GILBERT N. STEVENSON

IN 1904 United States Steel common sold below $10 a share. In 1929 it sold above 260, the equivalent of 366 when the 1927 stock dividend is considered. This year it has sold in the middle 20s, justifying the question whether the issue may not have traversed a complete cycle and again presents to investors opportunities similar to those of 25 years ago,—or whether the decline in market favor indicates that the veteran industrial leader is approaching the end of the path that leads into the sunset.

Undoubtedly the books of the U. S. Steel Corp. would show on inspection a surprisingly large number of holders who have held their shares since those early days when men debated whether the stock was overrated at $10. These investors have received over the past 28 years an average annual return of 58%, while the current market value of their holdings represents an appreciation of almost 300%. To put it into dollars, 100 shares would have cost $1,000 in 1904; they would have yielded $16,145 in dividends, and through the 40% stock dividend would have increased to 140 shares worth almost $4,000.

Steel common, although its actual low in 1904 was 8⅜, did not start life in the lower register. It was placed immediately in 1901 on a dividend basis and in that first year it sold at a high of 55 before the fading of the bull market started it on an irregular decline to its 1904 bottom. From late in 1903 to 1906 it paid no dividends. Besides, it was burdened with bonds, its funded debt, and that of its subsidiaries in that non-dividend period of its life being over $350,000,000, against less than $100,000,000 at the end of last year—all subsidiary indebtedness, of which but $55,000,000 is guaranteed by the parent corporation.

Considering the foregoing facts, what is the matter with Steel common today? Is it merely a stock market situation that will pass, or is the U. S. Steel Corp. itself past the peak of its achievement? Is the pauper that became a prince destined to end its days in poverty, or is new affluence awaiting it? In answering the questions we must admit some broad conclusions and assumptions; for example:

(1) We must admit that the American people have lowered their standard of living somewhat; but while they may lower it still further they are not going back to plank roads, bicycles, horse cars, and other commonplaces of 1904, when Steel common sold under 10.

(2) That wooden bridges, wagons, railroad cars, shelving and counters, window frames, and the countless number of wooden articles still being used to a greater or less extent, will be largely eliminated in this depression as a result of low steel costs.

(3) That most iron and steel products wear or rust, and must be replaced.

(4) That we will continue to use steel in huge quantities. Steel production in 1936 to 1940 will undoubtedly be much greater than in the current five-year period, and it may be as great even as the average yearly output of the decade from 1921 to 1930.

United States Steel

EARNINGS ON INVESTED CAPITAL

Year	Approximate Invested Capital*	Earnings* (see note)	% Earned on Invested Capital
1902	$1,547	$108	6.8
1907	1,710	133	7.8
1912	1,767	83	4.7
1917	1,980	252	12.7
1922	1,944	69	3.5
1927	2,236	117	5.3
1931	2,115	—6(def)	.0

* Millions.

Note.—After expenditures for maintenance and reserves for depreciation, depletion and obsolescence, fixed charges on subsidiary bonds, but before fixed charges on U. S. Steel funded indebtedness, now retired.

(5) In building construction, steel is rapidly replacing wood in item after item, until it is reasonable to expect in a few years, residences to be largely built of steel rather than lumber. Already steel frame houses are being sold in increasing numbers.

Railway Demands for Steel a Factor

(6) While the railroad industry has practically matured so far as new railroad construction is concerned, it will continue to use large quantities of steel for track renewals, general construction, and new rolling equipment. The automobile industry, possibly also mature for the time being, will continue to demand thousands of tons of steel annually for replacements. Other industries such as aviation, automatic refrigeration, air-conditioning, and chemical industries are still in their infancies, the natural gas industry is just reporting for kindergarten, the manufactured gas industry and the electric light and power industry have not yet received their higher school diplomas.

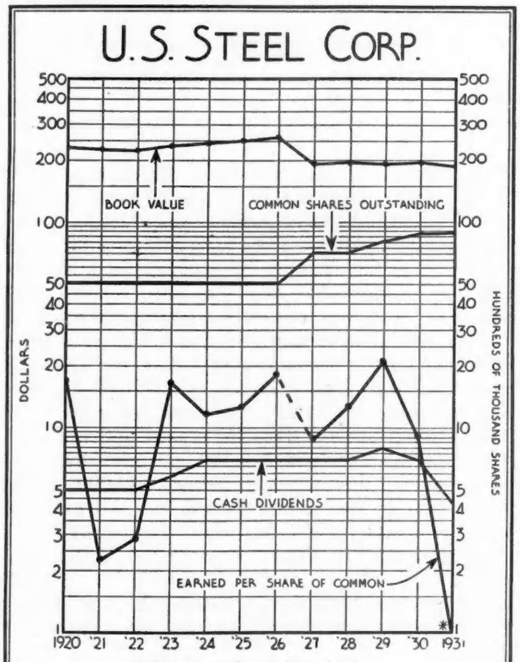
(7) That the development of alloy steels has just emerged from a period of pioneering and experimentation and that it is now ready for broad expansion. Such expansion might easily give the industry undreamed-of markets and new opportunities just as the Bessemer and other open-hearth and by-product coke oven processes did years ago. The use of alloys will make new accomplishment possible in all kinds of construction and in vehicles for transportation.

(8) That the U. S. Steel Corp. is the dominant steel company in the United States, producing about 40% of the big iron and steel ingots. In addition, it has by far the largest cement producing capacity (35,000,000 barrels) of any company. It also owns almost 4,000 miles of railroads, which for years have done a gross business of over $100,000,000 annually. It might be reasonably expected that these railroads at some future time will be sold to other systems, or to the government, if nationalization of the railroads should be one result of this depression, thereby enabling the Steel corporation again to pass along to its stockholders something interesting in the way of stock dividends or extra distributions.

(9) The U. S. Steel Corp. has not stopped growing—temporarily in gross receipts and earnings, yes,—but, in importance in steel production, in facilities, in efficiency, in management policies, no. Even in 1931, it expended almost $60,000,000 for new facilities, which alone is equivalent to a good-sized new company.

(10) U. S. Steel Corp. is not going into receivership, regardless of the life of this depression, for it has fortified itself against financial difficulties.

In 1901 the funded debt of U. S. Steel was somewhat over $300,000,000; it reached the peak of $480,000,000 in 1907. The subsidiaries in 1901 had a funded debt of $61,000,000, but had increased this to $189,000,000 by 1912. Steel and its subsidiaries, therefore, had at one time or another, $669,000,000 of funded indebtedness compared with less than $99,000,000 as of December 31, 1931. Of this only $54,000,000 is guaranteed by the Steel corporation. The principal guaranteed bond is the Illinois Steel Co. Debenture 4½% issue due in 1940, currently selling at 98, and outstanding in the amount of $18,500,000.



* DEFICIT OF $1.40 PER SHARE

With less than $99,000,000 of debt, Steel closed 1931 with over $150,000,000 in cash and cash items, a net working capital of $430,000,000, and net tangible assets of over $2,200,000,000.

Between April 1, 1901, and the end of 1931, Steel earned 4,022 million dollars, after allowing for all operating expenses and for depletion, depreciation, amortization and obsolescence. From these earnings, the corporation has paid out in interest on bonds, mortgages and other securities, including premiums and discounts on debt, 877 millions. Other deductions left 3,130 millions net earnings available for dividends, of which 1,727 million dollars was disbursed during this period, leaving 1,403 million dollars with the corporation.

Book Value, $200 Per Share

In addition to these reinvested earnings, in the year 1929, the corporation's treasury received $142,700,000 for stock sold in 1929. By adding this amount to the 1,403 millions undistributed, it will be seen that more than one billion, five hundred million dollars has been invested in U. S. Steel Corp. since organization, or an amount equal to $177 per share on the 8,703,000 shares of common stock now outstanding. Other adjustments result in a book value at the end of 1931 of about $200 per share.

Possibly Steel common, in its early days, 1901 to 1904, was all water. This is open to dispute. But it can be definitely shown that at present, values of $177 to $200 per share exist in the properties of the company and that, while in a depression the common stock sells at only a fraction of these values, when business conditions improve, the stock tends, after a belated start, to approach these values. In the stock market fever of 1929, Steel common outdid itself, reaching a price far in excess of its book value which at the close of 1928 and 1929 was $209 and $204, respectively.

While the foregoing discussion points out what the corporation accomplished in some thirty years' operations, it does not give the picture of habitual fluctuation of its earnings. In the first full year, 1902, it earned $108,000,000, after charging $21,000,000 to ordinary repairs and renewals and setting aside an additional $25,000,000 for depreciation and depletion reserve. In 1904, when the stock sold at 10 and below, earnings amounted to $59,000,000. From this point, earnings advanced to $133,000,000, in 1907, the effect of the 1907 panic coming in 1908, when earnings dropped to $75,000,000.

During the next five years, earnings averaged over $100,000,000 a year, followed by a slump in 1914, when earnings of $53,000,000 slipped back to a figure somewhat below 1904. After 1914, war earnings increased Steel's

U. S. Steel's Generous Policy in Maintenance, Depreciation and Depletion Charges

Year	Property Account (a) (In millions)	Write-Off*(b) (In millions)	Percent of Write-Off to Property Account
1902	$1,325	$49	3.7%
1906	1,383	65	4.7
1911	1,460	64	4.3
1916	1,472	104	7.0
1921	1,645	128	7.8
1926	1,667	184	11.0
1931	1,684	107	6.4

* Includes Maintenance, Expenditures and Reserves for Depreciation, Depletion and Obsolescence.

a In period 1902-1931, U. S. Steel's Property Account increased $359,000,000.

b In period 1902-1931, U. S. Steel charged off $2,115,000,000 for Maintenance and $1,224,000,000 for Depreciation, etc., a total of $3,339,000,000, before reporting earnings.

profits to abnormal levels, particularly in 1916, when earnings exceeded $300,000,000. From 1915 to 1920 it earned between $10 and $48 per share in each year, and the undistributed earnings during this period squeezed out every drop of water that may have existed. In 1921 earnings fell to $65,000,000 but during the five years, 1923 to 1927, recovered and averaged $127,000,000 per year or $11.70 per share, after deducting the preferred dividend.

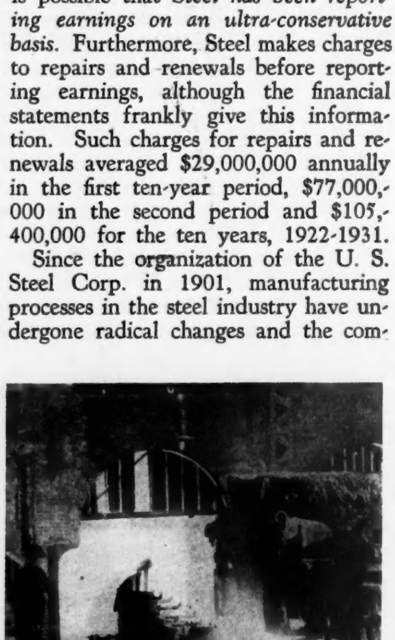
This was a period of boom conditions and should not be used as a guide in determining the value of Steel common. Let us, therefore, return to the 1902-1911 decade, in which steel was a much smaller factor in daily life than today. In that period we find that Steel's average earnings were $98,100,000, which, after deducting present preferred dividend requirements, were equivalent to $73,000,000, or nearly $8.40 per share. But since it is generally felt that Steel, in its early days, did not charge off sufficient allowances for depreciations, we will take the earning power of the 1902-1911 decade, and apply the liberal depreciation charges which have been written off in the past ten years. By making this calculation, we find that the average annual earnings available for the common stock were $47,600,000, equivalent to $5.50 per share of common now outstanding.

There is still another calculation, one that shows Steel at its worst. There were seven abnormally poor years—1904, 1908, 1914, 1921, 1922, 1930 and 1931. Average earnings for these seven years were equivalent, after deduction for preferred dividends, to $33,100,000, annually, or $3.80 per share of common stock now outstanding.

These two latter presentations indicate that if a normal earning power can be established, Steel's earnings in the future, say after 1932, could be $3.80 to $5.50 per share; and, in good times, more. We must not forget the possibilities of alloy steels, nor be influenced too much by current bad news. Business conditions are never static for even a year—and, just as bad times follow good times, so is the converse also true.

From 1902 to 1911, Steel charged an average of $23,000,000 annually for depreciation, before reporting net earnings. In the next decade, doubtless because of extraordinary war costs, it set aside $31,000,000 annually for depreciation. The average charge for the past ten years for this purpose was $48,400,000 annually. The charges in the past ten years seem to be generous and it is possible that *Steel has been reporting earnings on an ultra-conservative basis.* Furthermore, Steel makes charges to repairs and renewals before reporting earnings, although the financial statements frankly give this information. Such charges for repairs and renewals averaged $29,000,000 annually in the first ten-year period, $77,000,000 in the second period and $105,400,000 for the ten years, 1922-1931.

Since the organization of the U. S. Steel Corp. in 1901, manufacturing processes in the steel industry have undergone radical changes and the company's success in maintaining undisputed leadership has undoubtedly been made possible by the promptness with which the company has disposed of obsolete plants and equipment, seeking at all times the acme of efficiency. Thus, the wisdom of generous depreciation charges and liberal expenditures for repairs and renewals can hardly be questioned, but it seems safe to assume that there exists a substantial margin of "hidden values" between the actual and stated value of the property account. In the past 12 years alone, the total charges to depreciation and to repairs and renewals, which it may be recalled are deducted before net earnings are reported, have averaged almost 10% of the total property account. Is it possible that U. S. Steel Corp. has rebuilt the equivalent of its entire plant in the past twelve years? Or, is it not just as probable that there are hidden earnings and a building up of sounder and stronger earning power for the future?



Steel depends to a very large measure for its prosperity upon the automobile and construction industries and export trade. Following the trend of the automobile industry is a comparatively simple matter, since we have weekly reports of automobile production, monthly reports of sales (actual new car registrations for every state) and quarterly reports from the motor companies.

The progress of the construction industry cannot be so easily followed, although standard tabulations of building activity among the major groups, show contracts awarded for new construction. An earlier indication of important activity in building construction, however, would be activity in the bond market—many sales of large new bond issues which would enable the principal corporations of the country to make improvements, build additional facilities, demolish high-cost plants and replace them with more modern and efficient equipment. Before looking for much improvement in the index of steel activity, we shall see improvement in automobile sales, which will precede heavier steel buying by the motor companies, and improvement in the averages for bond prices on the New York Stock Exchange, which must precede substantial offerings of new bond issues, which in turn will direct the flow of funds into channels for use in new construction.

(*Please turn to page* 121)

Top-Notch Preferreds

Selected By The Magazine of Wall Street Staff

Current market conditions emphasize the attractiveness of many issues and provide the investor with the opportunity of acquiring sound preferred stocks which are practically immune to further extension of the depression in industry. In many cases forced liquidation has carried prices to levels at which the yield is not only the highest in years, but is unlikely to appreciate further. We present in this group analysis four attractive "top-notch" preferreds.

Consolidated Gas Co. of N. Y.

Serves New York's Metropolitan Area with Gas and Electricity

NOW a billion-dollar enterprise which together with its subsidiaries supplies electricity and gas throughout New York City and environs, the history of the Consolidated Gas Co. of New York closely parallels that of the territory in which it operates and the predominating characteristic has been growth. Back in 1884 when the company was formed as the consolidation of a number of others, Brooklyn Bridge was only just completed, the harbor was dotted with sailing vessels from all parts of the world and the spire of Trinity Church stretched skywards even more impressively than the tower of the Empire State building today. The Consolidated Gas Co. has seen the city grow from a maximum height of five stories to seventy, eighty and even more. It has seen and profited by a growth which absorbed the farm lands of the Bronx and turned the marshland wastes of Queens into thriving centres of population in themselves.

At the present time, the Consolidated Gas Co. of New York has twenty-two affiliates, the New York Edison Co. being one of the most important. Of these sixteen are out-and-out public utilities, among them the New York Steam Corp., which is engaged in supplying steam for heating, power and cooking purposes in the important mid-town and down-town business sections of Manhattan. The other affiliates are engaged in miscellaneous activities. About one-fifth of the consolidated gross revenue of the system is derived from gas, electricity accounting for by far the greater part of the balance.

From a financial standpoint, the Consolidated Gas Co. of New York is all that might be expected of a company serving the area of most concentrated power consumption in the world. It is conservatively capitalized. At the end of last year the funded debt of affiliated companies totaled slightly less than $203,000,000 and that of the parent company itself $110,000,000, in addition to which there was an unfunded debt of $68,000,000. This was followed by a minor amount in affiliated company capital stock, 2,099,249 shares of parent company $5 cumulative preferred stock of no-par value, and finally 11,476,527 shares of parent company common stock also of no-par value. Even today the latter has a market value at least closely approaching that of all senior securities.

CONSOLIDATED GAS CO. OF NEW YORK
$5 Preferred Stock

Recent Price	Dividend $	Yield %
84	5	6.0

Earnings per Share

1931	$32.00
1930	32.69
1929	31.04
1928	26.08
1927	21.99

It should be noted in regard to the unfunded debt that it is customary for public utilities to carry out additions and betterments by means of bank loans and then when these have become fairly large they are funded. Last year the Consolidated Gas Co. of New York spent nearly $71,000,000 for land, plant and equipment and part of the necessary funding operation has just been completed. Nearly $57,000,000 in affiliated and subsidiary company bonds were sold and that it was done successfully at a time like the present speaks worlds for the system's credit. Further financing, however, is necessary. The parent company has applied to the Public Service Commission for authority to issue $30,000,000 in 5%, twenty-year, gold debentures, the proceeds of which will be employed mainly for the liquidation of remaining bank loans. While it is understood that no plans have been made to market these securities immediately, the granting of the necessary permission will make everything ready for the time when the condition of the security markets will assure the success of the operation.

Although the trend of the Consolidated Gas Company's earnings has been very decidedly upwards for many years, net income in the depression year 1931 was somewhat less than that reported for the previous twelve-months' period. It cannot be attributed, however, to any decline in gross, for this item continued to gain. Increased interest charges and higher taxes were solely to blame for the somewhat poorer showing in the later period. Moreover, the decline was not serious, for earnings were equivalent to $32 per share of preferred stock, compared with $32.69 in the previous year. Incidentally, it might be noted that in no full year of operations since the first issuance of this $5 preferred stock in 1927 have earnings ever failed to cover the dividend more than five times over.

A number of very interesting de-

velopments have taken place recently affecting the future of the Consolidated Gas Co. A tie-in with the Niagara Hudson system will shortly be completed and this will not only permit the city to use cheap water power for peak loads, but will enable New York's steam plants to be used as a supplementary source of power throughout the great industrial region of New York State during times of low water. Consolidated Gas Co. is also planning further simplification of the system by the elimination of subsidiaries through absorption. Progress along these lines will make the company more of an out-and-out operating company rather than the holding company which technically it is at present.

Taking consideration of the territory which the company serves, its enviable past record, extremely high credit standing and the fact that further progress seems assured, the preferred shares of the Consolidated Gas Co. of New York cannot be considered as other than a high grade investment holding. Quoted on the New York Stock Exchange around $84 a share, a yield of nearly 6% is afforded.

New York Telephone Co.

Investment Standing Immune Against Earnings Decline

GIANT subsidiary of the American Telephone & Telegraph Co., the New York Telephone Co. operates together with its own subsidiaries throughout the State of New York and also in part of Connecticut. The size of the New York Telephone Co. and the scope of its operations can be grasped best by considering the extent of its property holdings. At the end of the past year 225 buildings were owned with an aggregate floor space of nearly 10,000,000 square feet (more than two square miles), in addition to which space was leased in 326 other structures. The company's wire system totals more than 14 billion miles, all but a negligible part of which is enclosed in cable and more than 80% of the total is laid underground. This equipment provides the background for some 2,600,000 telephones, over which the daily average number of calls during 1931 was 11,738,000.

The only manner in which it is possible for the public to participate directly in this vast enterprise is through the purchase of the company's senior securities, for the entire outstanding common stock is held by the American Telephone & Telegraph Co. For this reason the moderate recession in business experienced by the New York Telephone Co. in the present depression is a matter of greater moment to the holding company than it is to the outside owners of the subsidiary's securities. The high grade investment standing of the latter remain unimpaired.

Yet however impregnable may be the position of any security, it is always worth while to follow the trend of the business on which it depends. In 1930, the New York Telephone Co. lost 14,460 instruments and there was also some decline in the average daily volume of calls. Last year, there was a net decrease of 23,980 instruments and some further drop in daily average call volume. Nevertheless, the number of telephones in operation at the end of 1931 was well over 100,000 higher than at the beginning of 1929, making it apparent that the so-called "boom" business of this particular enterprise was erected upon a very much sounder basis than that of many other companies.

NEW YORK TELEPHONE CO.
$6.50 Preferred Stock

Recent Price	Dividend $	Yield %
110	6.50	5.9

Earnings per Share

1931	$141.30	1927	$113.25
1930	121.92	1926	106.80
1929	118.62	1925	76.06
1928	116.68	1924	60.81
1923	$97.56		

New York Telephone's total operating revenues have not followed the curve of the company's business for the reason that after nine years of effort it at last succeeded in obtaining the right to raise rates. Towards the end of 1929, the United States District Court entered a final decree, fixing the value of the company's property and naming 7% as the return to which the company was entitled. The New York Public Service Commission had not believed that higher rates were justified, but after some procrastination, schedules favoring the company were approved. These increased total operating revenues for 1930 nearly 7% over the $199,642,000 shown for 1929, but in the past year the decline in business naturally brought some recession. Such recession, however, was small, operating revenues for the year being only about 1% under those of 1930.

It is one of the peculiarities of the telephone business that it must continue to expand, build and plan for the future just as if no depression existed. Last year, the New York Telephone Co. spent more than $85,000,000 on plant additions, betterments and replacements—a sum which was slightly in excess of the annual average of the past five years. Most of the "new" money is obtained by the sale of common stock to the American Telephone & Telegraph Co. and for this reason the position of holders of the senior securities of the New York Telephone Co. has had a decided tendency to improve.

This is shown graphically by the earnings applicable to the preferred stock, which gradually increased from $60.81 in 1924 to $141.30 in the past year. It is true of course that the issue makes up a comparatively small part of the total capitalization and that for this reason the earnings applicable to it are large and tend to fluctuate quite widely. But even so the 250,000 shares of $100-par preferred, sandwiched between $184,000,000 in long term debt and $371,300,000 in common stock on which the regular 8% dividend is being covered with a margin to spare, is obviously in a strong position. Incidentally, it might be noted that included in the long term debt is about $106,000,000 borrowed from the American Telephone & Telegraph Co. and that an application before the Public Service Commission seeks to liquidate this obligation by an issuance of common stock. Should such action be permitted, it would still further improve the position of an already impregnable preferred stock.

From an investor's standpoint perhaps the only objection to this stock is that there is little chance of price appreciation, for it is now selling at the call price of $110 a share. The yield afforded, however, is quite liberal in view of the security's strength—nearly

6%—and furthermore the market maintained on the New York Curb Exchange is a reasonably active one. As a matter of fact, it would seem that a buyer were quite fortunate if he obtained the issue at its call price, for never since 1924 except in the present year has a level as low as this been reached.

Nor can the comparatively low quotation now prevailing be attributed to a loss of caste, despite appreciably lower operating income for the first months of this year. The stock is in too strong a position to be affected by any decline in earnings which could conceivably materialize and one is forced to the conclusion that it has merely been a temporary victim of the forced liquidation and other adverse factors from which so few securities have been free in recent times.

Occupying a favored position in an industry which is more inherently stable than most, the preferred stockholder in the New York Telephone Co. has but one thing to fear—inequitable rates. But these have recently been settled with more or less finality and unless the question should be reopened under some pretext or other, the utmost sense of security is warranted on the facts.

Liggett & Myers Tobacco Co.

Slight Profit Recession Not a Disturbing Factor

MANY factors contribute to make the preferred stock of the Liggett & Myers Tobacco Co. a desirable investment holding. The company's business, while susceptible to some fluctuation is certainly more stable than most other lines, and, as for the stock itself, there are not many issues in the same class which can boast of earnings equivalent to more than $100 a share in the generally disastrous year of 1931.

Liggett & Myers manufactures many tobacco products including "Fatima" and "Piedmont" cigarettes, "Velvet" smoking tobacco, "Star" plug tobacco, and little cigars, but the keystone of its prosperity is the "Chesterfield" cigarette. This was introduced in 1918 and consequently is somewhat younger than the "Camels" of the R. J. Reynolds Tobacco Co. and the "Lucky Strikes" of the American Tobacco Co. "Chesterfields," however, are considerably older than Lorillard's "Old Golds." This question of age seems to be an important one, for with the exception of the first two which are running a neck-and-neck race for the head of the field, the relative position of these four cigarettes is the same as at the time of their introduction.

In sharp contrast to the advertising policies of some of its rivals, "Chesterfields" always have been presented to the public indirectly by means of illustrations often strikingly beautiful. Unfortunately, however, such a course seems not to have paid, for it is understood that in the past few years Liggett & Myers' proportion of the total business has registered some decline. There is evidence of this in the company's earnings for last year which were lower than in 1930, whereas the three other principal cigarette companies all made gains. On the other hand, it is not impossible that the results obtained by the two schools of advertising be reversed in the long run, for the good-will which is being built up for "Chesterfields" might easily be of a more enduring character than that more spectacularly created. And in any event Liggett & Myers can be trusted not to allow their rivals to forge too far ahead before revising their advertising methods.

LIGGETT & MYERS TOBACCO CO.
7% Preferred Stock

Recent Price	Dividend $	Yield %
108	7	6.5

Earnings per Share

1931	$102.70	1926	$78.34
1930	106.61	1925	67.91
1929	97.79	1924	53.17
1928	86.21	1923	42.74
1927	83.25	1922	43.19

Of greater importance than advertising, however, are the smoking habits of the people. In the ultimate analysis, the prosperity of Liggett & Myers together with all the other tobacco companies depends upon there being no material decrease in the consumption of tobacco products. And this in turn depends to a great extent upon prices. Higher prices mean a smaller demand. A smaller demand means intensification of competition and consequently a reduced margin of profit.

At the beginning of the present depression, there was no marked falling off in the consumption of tobacco. Indeed, the industry was described as "depression proof." Later, the urgent need for economy on the part of the people brought about important changes. Cigars rapidly lost favor. Even the popularly priced branded cigarette commenced to lose ground. Their place was taken by the pipe and the home-made cigarette. Yet later, all divisions gave way, last year the consumption of cigars being nearly 10% under the previous year, cigarettes 5%, snuff about 1½% and manufactured tobacco .2%. So far, during the present year this declining trend has continued as depression intensified.

Unfortunately for the tobacco industry, the effects of depression are being accentuated by taxes. For example, the cigarette division, which is the most profitable, is not only taxed by the Federal Government well over 50% of its wholesale selling price, but a constantly increasing number of States are imposing their own levies. There are places where a pack of twenty cigarettes cannot be bought legally without paying 10 cents in taxes.

The steadily rising prices which are an inevitable result of the present tendency in taxes cannot have other than a stifling effect upon tobacco company expansion. This is not to say, however, that the ground lost during the present depression will not be regained, but only that it will be harder to do so under conditions of rising prices than would have been the case had prices remained stable. There is reason for believing that tobacco company expansion will be checked somewhat rather than permanently arrested because of the grip which smoking has upon the world. In England, where cigarettes cost considerably more than they do here even on a dollar and cents basis, and more still when the general cost of living is taken into consideration, the per capita consumption is materially ahead of this country.

It may therefore be expected that while the earnings of the tobacco industry will register some decline over the near future, they will continue to make a reasonably fair showing come what may. Such a situation presents

an ideal opportunity for senior security investment, especially at a time when nervousness in regard to securities in general exaggerates any business decline a hundredfold.

Last year Liggett & Myers preferred sold around 150 where the yield was less than 5%, while now it is quoted around $108 a share to yield approximately 6½%.

Liggett & Myers preferred is a 7% cumulative, non-callable issue of $100 par value outstanding in the amount of 225,141 shares. Ahead of the preferred there is some $28,000,000 of funded debt, while junior to it there is about $78,500,000 in common stock at par. Fixed charges and preferred dividends have been earned by a wide margin for many years. In 1920, these items were covered 2.32 times, the coverage gradually rising to a peak of 7.87 times in 1930 and even in 1931 it was still 7.60 times requirements. On a per-share basis, earnings in the past year were equivalent to $102.70 on the preferred and compared with $106.61 in the previous year.

Like all the large tobacco companies, Liggett & Myers is immensely strong financially. At the end of last year the company reported a working capital of more than $150,000,000. Cash and its equivalent alone totaled more than $52,500,000 which in itself was more than 11 times total current liabilities. With such assurance of the company's survival as is provided by an impregnable financial position, dividends covered by so wide a margin that no conceivable setback could endanger them, the preferred stock of the Liggett & Myers Tobacco Co. must be considered an exceedingly high grade industrial investment.

E. I. du Pont de Nemours & Co., Inc.

As Diversified as an Investment Trust

AN investor in E. I. du Pont de Nemours & Co., Inc., could hardly have become involved in a greater number of enterprises if he had purchased an interest in the most far-flung investment trust. Yet, unlike many investment trusts, particularly those born in the more violent stages of the late lamented bull market, du Pont actually has been successful in obtaining some of the theoretical advantages so often claimed for diversification. The company's business of course is not a wholly stable one, for no manufacturer can possibly run upon an absolutely even keel. But taking into consideration its immense size and the nature of its activities, du Pont has made a very fair showing in adversity. Let us examine more closely the principal divisions of the business.

Du Pont is first of all a manufacturer of chemicals and chemical specialties. As a maker of industrial chemicals, the general depression has not been without its ill effects. Indeed, the demand for acids, salts, paints, explosives and many miscellaneous products declined severely and this naturally resulted in keener competition for the available business. In many lines, price-cutting was resorted to and, although there are now signs of stability, this has been achieved upon a very much lower plane than prevailed a year or two ago.

In sharp contrast to the industrial chemical division, many of the company's specialties continue to make headway. For example, on a tonnage basis, dyestuffs, rayon and cellophane were all sold in greater volume last year than in 1930, thereby acting as a stabilizing influence upon the whole business. They could not, however, entirely offset losses in other lines, for the company reported dollar sales in 1931 some 14.5% under those of the previous year, 4.5% of which can be attributed to lower tonnage and 10% to lower prices.

E. I. DU PONT DE NEMOURS & CO., INC.

6% Debenture Stock

Recent Price	Dividend $	Yield %
90	6	6.7

Earnings per Share

1931	$48.41	1926	$52.51
1930	56.22	1925	35.12
1929	78.54	1924	23.31
1928	69.06	1923	25.36
1927	57.03	1922	13.81

Nevertheless, the company's business in chemical specialties continues to progress. Last year, some $1,600,000 was spent for control of chemical quality of existing products, while $5,400,000 was spent for the improvement of processes and the development of new processes and products. These expenditures resulted in a new synthetic rubber to be marketed under the trade-name "Du Prene" and a small plant for its manufacture has been erected at Deepwater Point, New Jersey. Although the new rubber product closely resembles natural rubber in many respects and can be used in an emergency as a substitute for the latter, it costs more to produce and there are certain important differences in the chemical and physical properties of the two. Other products developed during the past year include a synthetic drying oil having great resistance to both weather and chemical corrosion, dyestuffs of various kinds, new fungicides and certain higher alcohols.

Lying entirely outside its chemical business, du Pont is something of the investment trust to which it has already been compared. Not only does it possess important interests in many other companies, domestic and foreign, but directly or indirectly it owns 9,981,220 shares of General Motors common stock—slightly less than 23% of the total outstanding. Furthermore, there might be included in the investment division nearly $48,000,000 in United States Government bonds, high grade short-term notes and prime bankers' acceptances.

For the last seven years du Pont's investment income has contributed more to total revenues than its own operations. For example, last year net income from operations was placed at $21,109,000, income from General Motors at $29,943,000 and miscellaneous income at $4,435,000. This compares with $21,746,000, $32,937,000 and $3,717,000 respectively in the previous year.

This clearly indicates that it was the reduced income from General Motors which was the principal factor in last year's decline of total net earnings. Since the end of the past year the big automobile company has cut its common dividend from $3 a share annually to $2 a share, while the other day there was a further reduction to $1 a share.

What are the prospects of even the lower rate being continued indefinitely? General Motors earned only 17 cents a share on its common stock in the

first quarter and even making all allowances for a better second quarter it seems almost certain that the company will fail to make $1 a share for the whole year. If this be the case a further reduction in the dividend rate is not impossible.

Turning again to operations, it will be found that the outlook is considerably brighter. For the first three months of this year, net income from this source was only some 10% under that of the corresponding period of last year. If this decline were to be true of the whole year, du Pont's income from operations in 1932 would amount to about $19,000,000. Let us translate the present prospect for all the company's divisions into terms of its capitalization.

Du Pont has no funded debt, except for a minor amount of subsidiary bonds in the hands of the public. The company's capital liabilities consist solely of 1,098,831 shares of 6% cumulative debenture stock of $100 par value and 11,065,762 shares of common stock of $20 par value. In 1931, earnings were equivalent to $48.41 a share on the debenture stock comparing with $56.22 in the previous year.

Now, assuming an operating income for the whole of the present year of $19,000,000, a miscellaneous income of $4,500,000 and deducting estimated Federal taxes and the minority bond interest, the company would still earn nearly $20 a share on its debenture stock without any help from General Motors at all. But General Motors has already provided du Pont with nearly $5,000,000, representing the first quarter dividend at the rate of $2 a year. Nearly $2,500,000 more will shortly be received when the recently declared dividend of 25 cents a share is paid. In view of the fact that the official statement accompanying the most recent General Motors' reduction stressed the desirability of conserving cash resources in the face of a continued downtrend in business, let us be pessimistic over the future and suppose that this payment is continued only once more and that in the final quarter of the year the dividend be reduced to a rate of 50 cents annually. If such were actually to take place, it would bring the earnings on du Pont's debenture stock to around $30 a share for the current year.

Even admitting that there may be considerable error in the foregoing estimates, it is quite clear that the depression will have to become very much more intense before any doubt can be cast upon the continuance of the dividend on du Pont's senior security. Yet, the company's debentures, protected by an ample present and prospective earning power, an exceptionally strong financial position, and dependent upon a great diversification of activities, can be bought today around $90 a share—a price at which a yield of more than 6½% is afforded. This is the lowest price at which these debentures have sold since 1925 and, although earnings in the current year on a per-share basis are likely to be little better than those of the 1924/1925 period, it must be remembered that the company in the meantime has immeasurably expanded its activities and is now much stronger financially than ever before.

Moreover, in an effort to allow for the worst that might happen, the brighter possibilities have been ignored. Du Pont's own operations will naturally reflect any general betterment wherever it first manifests itself. Also, it is by no means impossible that the company develop some new specialty which would contribute very materially to earning power. As for the investment in General Motors, while it is admitted that the outlook for the automobile industry is not particularly promising at the present time, it must be remembered that this company is interested in electric refrigeration and aviation. Both of these new industries undoubtedly possess immense possibilities. The potentialities in a cheap and efficient house cooling system are greater even than were those of the automobile twenty years ago.

The actual occurrence of any or several of these by no means far-fetched possibilities would naturally restore confidence to a point where a material price enhancement of du Pont's debenture stock would certainly take place. Even without a marked pick-up in business the stock might appreciate on interest rates alone, for it is callable at not less than $125 a share. And in the meantime there is little if any chance of one's income being reduced.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1929	1930	1931	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	182.20	138.50	92.03	No	75	5.3
Union Pacific	4 (N)	49.48	41.30	25.50(e)	No	53	7.5
Atchison, Top. & S. Fe........	5 (N)	49.18	30.08	18.60	No	59	8.5

Public Utilities

Consol. Gas of N. Y...........	5 (C)	31.04	32.69	32.00	105	85	5.9
N. Y. Tel. Co.	6½ (C)	118.62	121.92	141.30	110	110	5.9
Pacific Gas & Elec. 1st.......	1½ (C)	4.57	5.25	NF	No	24	6.3
New York Steam Corp.........	6 (C)	10.21‡	16.95‡	20.19‡	105	88	6.8
Public Service of New Jersey.	8 (C)	24.44‡	22.10‡	18.85‡	No	115	7.0
New York Steam Corp.........	7 (C)	10.21‡	16.95‡	20.19‡	115	100	7.0
So. California Edison "B"....	1½ (C)	3.61	3.63	3.24	28¾	21	7.1
Amer. Lt. & Traction........	1½ (C)	21.38	20.71	16.44	No	20	7.5
Buffalo, Niagara & Eastern Pr.	1.6 (C)	5.19	4.97	4.92	26¼	21	7.6
North American Co...........	3 (C)	47.43	49.10	41.55	55	37	8.1
North Amer. Edison..........	6 (C)	58.98	49.65	39.13	105	73	8.2
Philadelphia Co.	3 (C)	27.58	28.27	NF	No	31	9.7
United Corp.	3 (C)	4.66	6.46	7.41	55	30	10.0
Columbia Gas & Electric "A".	6 (C)	33.95	26.86	22.75	110	55	10.9

Industrials

Procter & Gamble (2nd)......	5 (C)	151.75	178.16	130.97	115	89	5.6
Stand. Brands, Inc., Cum. A..	7 (C)	129.41	111.03	155.72	120	115	6.1
Liggett & Myers	7 (C)	97.79	106.61	102.70	No	108	6.5
du Pont (E. I.) de Nemours deb.	6 (C)	78.54	56.22	48.41	125	91	6.6
Allied Chem. & Dye..........	7 (C)	76.88	63.90	48.20	120	106	6.6
Diamond Match	1.5 (C)	....	2.86	3.56	No	22	6.8
General Cigar	7 (C)	35.92	64.03	54.41	No	100	7.0
Commerc. Investm. Trust 1st.	6½ (C)	81.92	90.87	87.42‡	110	92	7.1
General Mills	6 (C)	18.86	20.03	16.44	115	85	7.1
Colgate-Palm-Peet	6 (C)	62.24	49.51	25.76	102½	83	7.2
Mathieson Alkali Works......	7 (C)	98.91	84.68	56.64	No	93	7.5
Hershey Conv.	†5 (C)	21.36	24.24	26.18	No	64	7.8
Lorillard (P.) Co.	7 (C)	11.82	31.96	42.86	No	82	8.5
International Nickel	7 (C)	80.45	40.26	18.44	120(a)	72	9.7
Curtis Publishing	7 (C)	23.93	21.25	13.57	120	62	11.3

C—Cumulative. N—Non-cumulative. † Regular rate, $4. (a) After Feb. 1, 1934.
‡ On combined preferred. (e) Estimated. NF—Not available.

Market Indicators

For Profit

Asset Values Fall Into Disrepute

While it is always true to a large extent that earnings are more important than asset values in determining the worth of an investment, never was it truer than today and never was it harder to realize. Of course, there are few that will not admit that it is the production of which a plant or piece of property is capable which fixes its value—in theory. But in practice and particularly during times of depression they still cling to the old values. Even some who are adaptable to the changing times are loathe to acknowledge the justification for the common stock of the United States Steel Corp. selling at $28 a share when its book value is around the $200 mark, or New York Central selling for $16 with its book value of $160. As for the same thing applying to bonds . . . . why, it's preposterous. Here is a bond secured by a first mortgage on property "worth" four or five times the outstanding issue; it surely must be ridiculously cheap at fifty cents on the dollar. But is it?

In the ultimate analysis earnings make bond values almost as much as they make stock values and the disastrous declines registered by corporate profits in the last few years are bringing the lesson home. More and more bonds are selling ex-book-value and ex-money-rates. They fluctuate in accordance with the debtor's present and prospective earning power with the emphasis on the former. It is suggested that bond purchasers give the actual, present profits of a business the attention which this item undoubtedly deserves.

* * *

Packers Hit in Two Places

The recent decision of the United States Supreme Court has confined the business of the packers to the comparatively narrow limits of the Consent Decree of 1920. These companies are now prohibited from dealing at wholesale in groceries and other lines unrelated to the meat industry. In rendering the opinion of the Court, Associate Justice Benjamin Cardoza stated in effect that the power to starve out rivals which existed in 1920 was still there today and, although there was no certainty of this power being abused, the threat was sufficiently likely to materialize to warrant its being removed entirely. Should the Supreme Court refuse to review the case—which, however, is not impossible—the packers seem to have lost their last chance for many years to come of bolstering their narrow profit margins with other lines.

The other blow to the packers has come from an abrupt reversal of the rise in meat prices. A few months ago it was thought that perhaps prices had definitely touched bottom and that a sustained rise was underway. The betterment, however, died out, culminating in a precipitous slump. For example, aggregate packers' sales for February and March were some 33% under those of a year ago and little, if any, improvement has been registered more recently. Under these conditions, the holders of meat packing securities cannot feel other than disquiet for the immediate future.

* * *

General Electric and Household Appliances

Built-up public utilities, a vanishing export business and a declining demand for heavy equipment in general have driven the electric companies further and further into the field of household appliances and they are pushing this line as never before. In the case of the General Electric Co., refrigerators are now the most important single item in the company's production, although substantial revenues are derived from

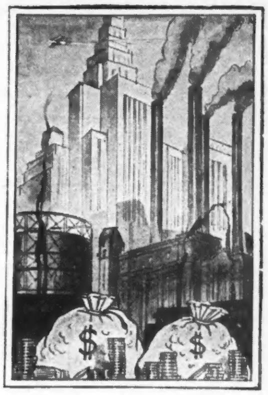
One Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	American Home Products	HPT	N	B2	Patent drugs	None	611,000	No	4.20	*mo*-1st	15th
2	Armour & Co. 'A'	AM	N	C2	Meat packing	123,515,000	2,000,000	25	....	....	....
3	Continental Can	CH	N	B1	Tin containers	None	1,732,545	No	2.50	*q*-5/14	4/30
4	General American Tank Car	GT	N	C2	Tank car oper. & mfg.	17,558,000	811,647	No	4.00	*sa*-1/1	12/14
5	Pullman, Inc.	PU	N	C2	Sleeping car operation	None	3,874,411	No	3.00	*q*-5/16	4/23
6	Southern Railway	SZ	N	D2	Southern carrier	298,521,700	1,300,000	100	2/1/	32 div. p	assed
7	Standard Oil of Indiana	SCD	N	C1	Integrated oil co.	52,370,367	16,996,595	25	1.00	*q*-3/15	2/15
8	U. S. Pipe & Foundry	CJ	N	D2	Cast iron pipe	None	600,000	20	2.00	*q*-4/20	3/31
9	U. S. Rubber	RU	N	C4	Rubber manufacturing	94,952,400	1,464,371	No	....	....	....
10	U. S. Steel	X	N	D1	Diversified steel mfg.	98,887,295	8,703,252	100	6/30/	32 div. p	assed
11	Western Union	W	N	C1	Telegraph communication	107,955,000	1,023,812	100	4.00	*q*-4/15	3/18

q—Quarterly. *sa*—Semi-annually

and Income



washing machines, electric ranges and other apparatus. A logical development of its refrigeration business and the heat control devices marketed for the first time last year is air conditioning and, with actual introduction of a new oil-burning furnace for which the company is planning, it will be ready to handle whatever orders may materialize in *this* rapidly growing field. The potentialities in air conditioning of the home are such that the infant industry could easily show greater expansion even than has been registered by the automobile since the termination of the World War.

* * *

Protecting Holders of Foreign Bonds

Nearly $1,000,000,000 in foreign dollar bonds are in default. More will undoubtedly follow. It is now proposed to form an organization with the assistance of the American Government which will be patterned after the British Corporation of Foreign Bondholders and will have as its main object the aiding of our citizens who have been hit by the defaults on the part of foreign debtors. But what are the chances of the new organization being successful? Surely it is time to realize that blood cannot be obtained from a stone—blood in this case being dollars, not pounds, francs, marks or pesos, and the stone being any country from whom we will not buy enough or to whom we will not lend enough to provide the desired dollars—and this is true despite every kind of protective association and loud outpourings of Congressmen and Senators to the contrary. As for those who lent money, they are unfortunate inasmuch as they failed to realize—and to vote accordingly—that any debt whether domestic or foreign is never really *paid* in the currency specified. It is the debtor's production which pays it and, although every effort may be made to tender according to contract, in the ultimate analysis the creditor must accept that which the debtor possesses or is capable of creating, or nothing at all. It is useless to lay all the stress on reckless lending and charge the houses of issue with carelessness and misrepresentation. This is part of the trouble, true. But it does not alter the fact that many defaulted foreign bonds would be gilt-edged today if the United States would take the debtor's products in reasonably large quantities and pay for them in dollars at the prices which existed at the time the obligations were contracted.

A Guaranteed Preferred

Except in those few cases where a guaranteed stock is strong in itself, the investment standing of this class of security rests very squarely upon the financial integrity of the guarantor. When this can be shown to be eminently high there is little reason to go any further. It matters not whether the guaranteed stock represents ownership in a company whose business is progressing or one which continually loses money so long as the guarantor is capable of meeting the deficit. For this reason one needs to know no more of the merits of the preferred stock of the Standard Oil Export Corp. than that it is guaranteed both as to dividends and principal, jointly and severally, by the Standard Oil Co. of New Jersey and its affiliates the Standard Oil Co. of Louisiana, the Humble Oil & Refining Co. and the Carter Oil Co. This preferred is outstanding in the amount of 764,885 shares. It is of $100 par value and is redeemable at 110 after December 31, 1935. Paying dividends at the rate of $5 a share semi-annually the issue can currently be bought on the New York Stock Exchange around $83 a share to yield more than 6%, a liberal return in view of the security's high caliber.

Magazine of Wall Street's Adjustable Stock Rating Booklet

May 7, 1932

EARNINGS				PRICE RANGE				Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
Annual		Interim		1931		1932					
1930	1931	1931	1932	High	Low	High	Low				
5.49	5.52	N.F.	1.45mr3	64	37	51⅜	36¼	....	111	Net well maintained; first half outlook bright	1
d2.10oc	d12.91oc	....	....	4½	¾	2	1	....	110	Profits menaced by lowering meat prices	2
5.04	3.27	N.F.	3.05mr	62¾	30¼	41	24⅝	....	118	Output slightly off but strong financially	3
8.03	5.34	....	....	73⅛	28	35¾	16	....	118	Dividend payments in future depend upon net	4
4.37	0.61	....	....	58½	15½	25	14¼	....	112	Curtailed rail travel heavily cuts net	5
4.72	d6.63	....	....	65⅞	6⅜	13	5	....	90	Considerably greater deficit first 5 months	6
2.73	1.04	....	....	38½	13⅝	17¼	13⅛	50% 3/29	119	Better outlook with higher petroleum prices	7
3.42	0.49	....	....	37⅛	10	15½	8¾	....	112	Poor outlook for first half earnings	8
d15.89	d11.59	....	....	20⅜	3½	5⅜	3	....	110	Decreasing rubber prices retard co's. income	9
9.12	d1.40	0.05mr3	d2.24mr3	152⅜	36	52⅝	26⅜	....	94	Continued deficit forces dividend suspension	10
9.03	5.71	1.44mr3	0.08mr3	150¾	38½	50	20⅞	....	118	Barely breaking even in current operations	11

N. F.—No information. *d*—Deficit. *mr3*—3 mos. ended March 31. *oc*—Year ended Oct. 31. *mr*—Year ended March 31.

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Valuing Bonds By Purchasing Power

Can Corporate Obligations Be Practically Adjusted to Varying Worth of Money?

Editor, READERS' FORUM:

It is recognized that the dollar represents a unit of purchasing power, and as such is only a medium of exchange, subject to fluctuations in nominal price. A corporate bond represents a debt, fixed in amount, and payable after a period of years. In this connection, it might be observed that an inherent soundness attaches to the instrument, which makes it particularly suitable to the conservative investor; and, therefore, any possible increase in the security that bonds provide is a subject of vital interest.

Under present indentures, however, a fixed sum of dollars (or its gold equivalent in many instances) is payable at the expiration of a number of years, regardless of fluctuations in its real value. A more conservative instrument might be created by endowing a bond with such additional characteristics as to eliminate any fluctuations in the intrinsic value of the bond, disregarding all the exterior influences affecting the issuing company's status.

Speculative Factors

These fluctuations in the value of a bond, which result merely from changing price levels, lend a degree of speculative color which apparently has no economic justification. To offset this shifting condition, which can only make for financial unsettlement, the following adjustments might be effected:

A large corporate mortgage could be sold, maturing in twenty years, at a price approximating the customary $1,000 per bond. However, the bond would differ in the method of determining the amount of money due at maturity. The debt would be represented by a composite, of definite amounts of about 20 representative basic commodities. Thus, such a list might be constituted as follows:

2 bales of October middling cotton.........	$60
100 bushels of a representative grade of wheat	$60
150 bushels of a representative grade of corn..	$60

And so on for designated amounts of other staples, such as electrolytic copper, pig iron, crude oil, crude rubber, silver, coal, silk and coffee. A representative group of such commodities, with specific amounts of each, and with their aggregate value at the time of the bond's issue being the same as the offering price, would obviously represent a cross-section of the purchasing value of the dollar at the time of the flotation of the bond. This composite if properly set up, would adequately reflect any changes in the nominal value of money.

When Money Values Change

At the bond's maturity, the fair average price of the various commodities originally listed in the indenture with quantity and grades, etc. (over a determined period of time prior thereto), would be paid to bondholders. Thus, if the value of the dollar decreased 50%, the amount paid to bondholders would be $2,000.

The advantages of such a type of bond would appear to be:

1—The bond preserves intact the original purchasing power transferred at the time of the bondholder's purchase.

2—It eliminates the effects of inflation or deflation, which under our present economic order, are potent factors

(Please turn to page 126)

The Other Side of Wide Stock Ownership

Is There Strength or Weakness in the Growing Lists of Corporate Shareholders?

Editor, READERS' FORUM:

In your April 16 issue, I notice that Mr. Gilbert N. Stevenson, under the title "Corporate Strength in Diversified Ownership," derives considerable satisfaction from the increasing number of individuals who have acquired a stock interest in our large corporations. Offhand, this tendency, as discussed by Mr. Stevenson, would appear well supported by the facts and theoretical benefits which he has marshalled together to support his thesis—but I wonder.

The ranks of American stockholders would be sufficient to create a very healthy army, but I have an idea it would be largely a drafted army, not an enlisted one—an untrained army drafted for the duration of the depression. The officers and a minority of the personnel are there largely by choice and are not bemoaning their lot; for the rest, it is either an unaccustomed hardship or a vast disillusionment of the alluring inducements held out to them in 1928-1929. "Join the Army and See the World," to paraphrase the Navy's slogan, is an exaggeration, nearer the truth, however, than "Common Stocks—the Best Long Term Investment."

I cannot help believing that today there are many stockholders who derive little satisfaction in knowing that they own fifty shares of X. Y. & Z. Railroad or the A. B. C. Automobile Co., knowing that they have paid a price out of all proportion to the return, if any, which they are receiving. While they may not hold the company responsible for their misjudgment, neither are they likely to bubble over with good-will and rush out and mortgage their homes to buy the latest A. B. C. model, urging all of their friends and neighbors to do likewise. When the quarterly report comes in the mail, replete with ample reference to "your company," but omitting the dividend check, I am afraid that the attitude of the stockholder is likely to be one of "Oh Yeah!"

Through the steadily increasing diffusion of stock ownership, American business has taken the public into partnership to a greater extent than ever before. It has been widely assumed that this movement could only be beneficial, but the writer of the accompanying letter advances some interesting arguments in refutation. Views of other readers will be welcomed.

Seriously, I firmly believe that the average individual takes pride in economic independence and is a better citizen if he has some stake in the world's industries and goods. Employee ownership of securities has much in its favor. But as I look at the large stockholders' lists, I am dismayed at the huge losses which they represent to individuals in every walk of life and feel that the practical socialistic benefits which were hoped for have not been realized.

Is it not possible that by becoming virtually a nation of stockholders we are intensifying our difficulties now? The psychology of the stock market, which is as fickle as April weather, has filtered through the entire country and, in my opinion, has destroyed individual initiative and enterprise in more than a few instances. The business man goes to his office and his associates are discussing the stock market in a general hue of indigo. His customers are wary, as they observe new low levels; his bank refuses to extend his loan; etc., right down the line.

Then too, what of the many women who own stock, in trust and safe deposit boxes, who never felt any concern as long as the dividends came regularly? They are included in the large stockholders' lists and for that privilege, many are now confronted with real hardship. It is useless to decry this condition, human nature being what it is, but it is hardly practical socialism, to be viewed with satisfaction.

I am inclined to imagine that the directors of those companies having hundreds of thousands of stockholders, secretly regard these growing lists with mixed feelings. They must certainly be impressed with their sense of responsibility which has literally been thrust upon them. But here also isn't it reasonable to assume that as individual business men, conducting their various activities solely for their own benefit, that they might even now take greater risks for greater gains? This is enterprise — the backbone of business. On the other hand, is it not likely that they would trim sail sooner, in times of stress, if they didn't realize that by omitting or reducing a dividend they would deprive thousands of stockholders of some portion of their income? The advantages of extensive public ownership, so far as a specific company is concerned, seem likely to meet a severe test in the next few years, and even now stockholders are becoming more and more articulate, and it remains to be seen whether or not mass judgment in deciding important corporate questions is reliable. Public utility-baiters among politicians are becoming successful in getting a more attentive ear from even the stockholders.

Every man has a right to invest or gamble with his money. I generously concede much that is desirable in the ownership of common stocks. But, frankly, I look upon the widespread ownership of corporate equities as being of no greater consequence, from a practical socialistic standpoint, than the community spirit developed in a crowded subway train—both conditions resulting solely from the force of circumstances.—N. L. P., Flushing, N. Y.

Spread the Work for Prosperity

Hours of Labor Should Be Elastic —An Argument for Silver— Government Help for the Railroads

Editor, READERS' FORUM:

I happened to pick up a copy of THE MAGAZINE OF WALL STREET recently and got a real thrill out of the fact that you are pushing the idea of helping to solve the unemployment problem by spreading available employment over a greater number of people through cutting down the number of hours per man devoted to productivity.

I congratulate you on your drive in this direction, and I hope you keep up the good work. If through the National Chamber of Commerce, industry could be brought to see the wisdom of cutting down the time and income of our men now employed, in order that a fifth man might be given an opportunity to create buying power for himself, the wheels of commerce would begin to grind again.

Every element in business is regarded as elastic except the number of hours man works for his livelihood. It would seem that that element is an immutable law sent down to industry from High Olympus. But, if instead of lying awake nights trying to devise new ways and means of turning out the same amount of work with less man-power, industry would devote itself to the task of creating a flexible program of hours of employment for man, it would wield a tremendous influence in taking out the peaks and valleys of our national well-being.

This is so simple and fundamental that most people fail to see it. Mention of it across the luncheon table brings only a glassy stare and a protest from each individual that his business, particularly, would find it difficult to adapt itself to any such program. Naturally it would be difficult for certain businesses—almost any business—to swing into such a radical change—but the present situation is an emergency that calls for heroic measures, if we are not to drift to a lower level of stagnation with its attendant failures, distress, social disturbance, radical, socialistic and communistic legislation, and pernicious infiltration of the Communist's program of destruction of all those institutions we hold dear.

Over great opposition Judge Gary brought the steel industry to see the wisdom of the eight-hour day—to industry's lasting benefit. Is it not reasonable to suppose that, in this mechanized age of efficient production, industry would again find itself better off to again make some contraction in the length of time a man should devote to productivity? The five-day week or the six- or seven-hour day, once adopted, would soon show the industrial world it had been all too slow in discerning that this question of man-hours per day can also be regarded as an elastic element.—CHESTER A. CREIDER.

Uniform Code for Brokers

Editor, READERS' FORUM:

As a regular subscriber to your magazine, you are to be commended for allowing readers to write letters which you publish on matters of public interest.

Being resident in the adjoining country (Canada), you may be interested to learn that we have many more difficulties to contend with in trading on margin, than those who are fortunate enough to be living in the United States.

In the first place, we are compelled to pay anything from 10% to 15% premium if we desire U. S. A. funds, also the stockbrokers who are members of the New York Stock Exchange charge us 6% interest on amount owing each month, whereas according to New York financial publications one is able to borrow money at 3% or thereabouts in the U. S. A.

The recent enquiry in Washington as to the methods of the New York Stock Exchange, brought forth the comment from one of our local papers to the effect that certain members of the exchange in conjunction with the exchange were determined to drive prices of shares down to the lowest possible level so as to buy them in and make a substantial profit at a later date. In view of the behavior of certain firms with whom I have had dealings, there would appear to be some truth in this statement. (Editor's Note: There is no truth in it.)

For some considerable time past I have had dealings with a firm who are members of the New York Stock Exchange. Recently, when the prices of most stocks were being driven down to a low level, they sent a special messenger to me with a letter demanding an additional $100 margin. I gave them the cheque, which meant that I then owed them $200, whereas the shares being carried by them were worth $650, in other words, there was approximately a 70% margin. The value of the shares declined still further to about $600 and the firm in question sent me a further letter demanding another $100, which meant I then had about an 80% margin.

When remitting the last payment, I wrote stating that I considered the last demand was uncalled for, whereupon they wrote stating that my account has been very inactive for some time and suggested that I pay the balance as soon as possible and take delivery of the shares.

Is it reasonable to suppose that any intelligent person would have been buying shares for some time past, when one read in the papers that U. S. Steel orders were below last year's, also that railway receipts were also less than last year. There was only one way of looking at this and that was for shares to decline still further.

What I wish to know is why the New York Stock Exchange does not have set terms and compel all members to abide by them. One broker will not carry less than 25 shares of any stock on margin, another will carry any number from 5 up; one will not carry stocks under a certain price on margin; another will carry almost anything. A firm may order you at short notice to pay the balance without giving any reason whatsoever, which may mean that you would lose a considerable sum at a time like the present, if you were unable to pay them. One does not usually carry a margin account if they are able to pay for the shares in full, which makes me think the New York Stock Exchange should seriously con-

sider what I have said and insist upon all their members acting alike, then the public will know where they stand.—J. W. G., Toronto, Canada.

Changing The Dollar's Base

Editor, READERS' FORUM:

As long as gold alone is the standard measure or yardstick of ultimate value increased disaster to social conditions will result from piling credit on top of credit in the effort to stop deflation. Credit is weakened in the proportion that extraordinary credit is attempted.

All dollars created by a single standard gold currency system assume a theoretical or trade value of a gold dollar regardless of an admitted insufficient gold base. Integrity of currency cannot otherwise be maintained. Labor or commodity prices will not return to a level of prosperous conditions until the base value of the dollar is changed.

The gold dollar is too high. Only silver can expand commodity (concrete labor) prices and reduce unjust gold prices.

The nearest approach to an ideal currency condition and a stable dollar value as measured by its commodity purchasing power, would be obtained by directing the commission authorized to determine the amount of silver purchased each month to gauge purchases with an eye to establish a wholesale commodity price index number that will not vary more than five per cent from 100 as shown in price index of the Department of Commerce, for the preceding month.

Silver purchases would be maintained in increasing amounts until the index showed 100 and decreased when it exceeds 100. This plan is right in principle. Expert service could supply practical detail. The Federal Reserve System and supplementary legislation have failed in the effort to stabilize the dollar with commodity prices by using credit inflation. — ROZELL MCWILLIAMS, New Orleans, La.

Capitalism and The Little Man

Editor, READERS' FORUM:

I think it was in the March issue of *Readers' Digest* where one of the writers made the remark, "What interest has the $5 a day laboring man in capitalism?" and it seems to me that the very fact that a writer clever enough to have his article published expressed such an idea illustrates the general ignorance of the real significance of capitalism.

It seems to me that the smaller a person's earnings are, the more vitally he is or should be interested in the maintenance of our capitalistic system for if he has only two shirts or two pairs of shoes in place of one, he is interested in a system which provides sufficient protection to prevent his neighbor from grabbing these extra possessions and he can never develop any degree of thrift unless his savings, however small, are protected.

The schemes of radicals are always aimed at the rich but the rich are generally able to protect themselves and it is the most modest capitalist who is least able to prevent confiscation.

A recent survey of all the so-called labor injunctions against which the Norris-La Guardia Bill was aimed developed the fact that the very large companies seldom applied for injunctive protection in case of strikes and it was usually the smaller employer whose resources were much more limited than that of the Labor Union who needed that protection and applied for it.

Lincoln once said, that a main object of our government should be to protect the citizen in the undisturbed enjoyment of the possessions he has been able to accumulate.

I wish you, as an important molder of thought and opinion on the part of our public, would consider the importance of repeatedly publishing well written articles, bringing out and illustrating the fact that it is not the rich but the modest owner of possessions and savings who is most interested in the preservation of our capitalistic system.—F. W. JESSOP.

Government and The Railroads

Editor, READERS' FORUM:

In the "Investment and Business Trend" section of your issue of April 16, you say in regard to the railroads' predicament: "A revival of traffic, of course, is the only safe and sound remedy. Without it, some capital losses are going to be taken. The question is whether they will be taken by railroad security holders, *as they should be* [italics mine], or shared by the Federal Treasury.

It would indeed seem at first glance that the owners of any business enterprise, and not the United States Government, should suffer financial loss if their enterprise goes on the rocks. Obviously, that would be right and proper if the U. S. Steel Corporation, for instance, should become insolvent. But I submit that the situation is really quite different in the case of our railroads. The destiny of a railroad is not in the hands of its owners or executives, as that of an industrial corporation is. Its executives cannot meet a crisis by taking such steps as they consider necessary or advisable. The United States Government, through its commission officials, fixes rates and wages, and decides what passenger service must be maintained. If the railroads, operating under governmentally imposed conditions, operate at a loss, the Government is morally obligated to make good that loss—or altogether cease to impose conditions of operation.

The Government exercises no such control over any other enterprise of invested capital. It subsidizes competition against no other enterprise as it does against the railroads with improvement of waterways and with building of roads for motor vehicles. And the extent to which railroad securities are held by life-insurance companies makes the protection of those securities a matter of peculiar interest to the people of the United States. In view of these facts, I am surprised at the position taken by your writer.—C. L. LOCKERT, JR., Nashville, Tenn.

Too Pessimistic, No Doubt

Editor, READERS' FORUM:

"The automobile has been the greatest single force in our decade of prosperity which commenced in 1920." Quotation from "Ford Changes Motor Outlook" in your issue of April 2nd. What you say is undoubtedly true, but has it been for better or worse?

I am now about convinced that the automobile industry is more to blame for starting the depression and continuing it than any other thing.

Please try and calculate the economic loss on account of 35,000 killed and over 1,000,000 injured per year. Think how it has injured nearly all other industries by taking away from nearly all families the money they used to spend on various other luxuries and some necessities. The business that I am in has been steadily declining even through the boom period from 1922 to 1929.

It is obvious what automobiles and trucks have done to the trolley and railroad companies. The billions that crime has cost the nation in the last decade can be charged largely to the automobile as hardly any crime is attempted without an automobile. The example of the mass production and efficiency that it originated has worked havoc through all industry by creating unemployment.

Most people seem to think that additional jobs created by the automobile industry compensates for the slackness caused in other industries, but when we consider that nearly all of these

(*Please turn to page* 126)

Impairment of Business Confidence is Again Visible in Many Lines

Steel

Conditions Becoming Serious

THE first quarter reports have brought home in no uncertain terms the deplorable state of affairs in the steel industry. The United States Steel Corp. reported an operating loss of $1,136,607, which together with depreciation brought the deficit to $11,877,000; Youngstown Sheet & Tube showed a net loss after all charges of more than $3,000,000; and Bethlehem a deficit of $3,686,000. Similar results were reported by other companies and there was an epidemic of passed dividends. Nor can the second quarter be expected to be a period of any material improvement from the point of output, for operations continue at an exceedingly low level and most of the ammunition provided by the automobile industry at this time of the year has now

(*Please turn to page* 126)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1932 High	Low	Last*
Steel (1)	$0.01¾	$0.01½	$0.01⅝
Steel (2)	0.01⅝	0.01½	0.01⅝
Pig Iron (3)	15.50	15.00	15.50
Copper (4)	0.07⅛	0.05½	0.05¾
Lead (5)	0.03¾	0.03	0.03
Petroleum (6)	0.84	0.69	0.84
Coal (7)	1.50	1.20	1.25
Cotton (8)	0.07⅛	0.05⅝	0.05⅞
Wheat (9)	0.86	0.44¾	0.62
Corn (10)	0.38¼	0.29½	0.31½
Hogs (11)	16.50	7.50	9.75
Steers (12)	14.00	9.00	12.00
Coffee (13)	0.10¼	0.08¾	0.10¼
Rubber (14)	0.04 11/16	0.03	0.04¼
Wool (15)	0.60	0.46	0.47½
Sugar (16)	0.03⅛	0.02⅝	0.02⅝
Paper (17)	53.00	53.00	53.00
Lumber (18)	17.67	12.75	12.75

* May 7, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan City), $ per bu. (10) No. 3 Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lbs. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—A month or two ago the steel industry was expecting much from the usual seasonal increase in automobile production. Yet, steel ingot output for the country as a whole has risen only to 24% of theoretical capacity—a gain of 1½% in the last two weeks. Confirmation of the exceedingly hard time through which the steel industry is passing may be gleaned from the recently announced wage and salary reduction of 15% by the United States Steel Corp. The move is likely to be followed by the remainder of the industry.

COPPER—As expected, copper prices are showing an undertone of weakness. The purely nominal official export price remains at 6¼ cents a pound, c.i.f., principal European ports. There is, however, plenty of copper available for export at 6 cents and even the generally quoted 5¾ cents for domestic delivery is being shaded by a sufficient number of sellers to make the real market 5⅝ cents—a new low in the history of the industry.

PETROLEUM—With the coming of summer the demand for gasoline and lubricating oils is registering its customary improvement with the result that there should be little difficulty in maintaining the better prices which now prevail. Indeed, with crude output continuing well in hand even higher prices for petroleum products are by no means outside the realm of possibility.

SUGAR—Consumption of sugar continues to lag and the mountainous stocks on hand appear to get more menacing every day. Raw sugar futures for May delivery are rapidly approaching the ½-cent-a-pound mark and are now quoted with a number of other commodities at the lowest price in history. Refiners are in difficulties as the Government's suit against the Sugar Institute for unfair trade practices proceeds apace and as price cutting becomes more general.

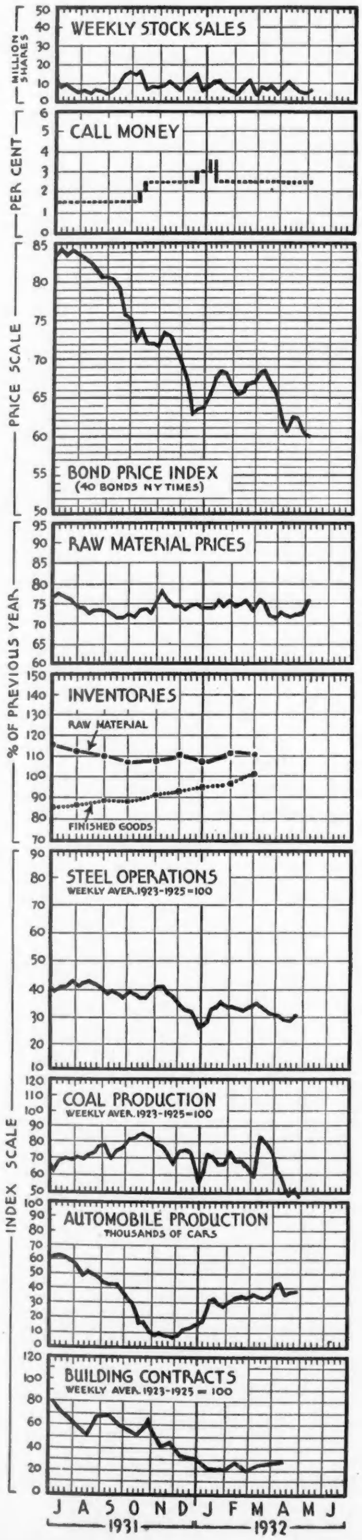
WHEAT—Despite the generally constructive character of the news affecting this staple, wheat has been under heavy selling pressure recently. The passing of the Goldsborough bill by the House was apparently considered destructive rather than the reverse and it is significant of a lost faith that a governmental measure to raise prices is promptly greeted with a sharp decline.

LEATHER AND SHOES—Reflecting the greater interest on the part of leather manufacturers which in turn reflects greater boot and shoe activity, hide prices have advanced appreciably and more optimism now prevails throughout these related industries than in some time. It will be surprising if the improvement fails to go further during the next month or two.

TEXTILES—The recent report that the Federal Farm Board would stay in the cotton business for at least two more years has disturbed the market in both the raw material and the finished product. Prices for cotton textiles in general have worked lower, buyers insisting upon concessions and then, having obtained them, ordering an absolute minimum quantity. It is now apparent that for the moment the evil influence exercised by the Farm Board is stronger than the decided improvement in the statistical position of cotton and cotton products.

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1931 Indexes High	Low	Close	No. of Issues		1932 Indexes High	Low	Apr. 23	Apr. 30	May 7
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	22.4	23.1	22.4*	22.7
142.4	33.0	34.8	4	Agricultural Implements....	48.3	21.2	25.4	21.2*	23.7
121.2	19.7	21.2	7	Amusements	43.0	19.2	21.4	19.9	19.2*
76.9	23.9	23.9	21	Automobile Accessories	27.8	14.2	15.4	15.1	14.2*
37.0	12.1	13.1	16	Automobiles	14.4	7.1	7.6	7.1*	7.3
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)....	34.6	22.4	23.7	22.5	23.0
38.4	8.3	9.7	3	Baking (1926 Cl.—100).....	12.0	5.4	6.4	6.3	5.4*
212.8	112.5	112.5	2	Biscuit	129.9	91.1	96.5	91.1*	96.3
162.2	48.1	49.5	5	Business Machines	65.0	40.3	40.5	40.3*	41.3
188.5	96.5	99.3	2	Cans	119.0	69.7	74.3	69.7*	70.7
157.8	76.2	81.6	7	Chemicals & Dyes..........	98.3	65.8	70.2	65.8*	65.8
71.8	20.8	21.4	3	Coal	26.7	17.8	18.6	18.2	17.8*
73.7	18.9	19.5	19	Construction & Bldg. Mat....	24.6	12.7	13.3	12.7*	13.0
92.4	30.1	30.2	11	Copper	36.7	19.5	20.7	20.1	21.1
98.0	45.8	47.2	2	Dairy Products	57.8	41.1	41.7	41.1*	41.8
30.2	9.6	10.1	9	Department Stores	14.8	7.0	7.2	7.6	7.0*
120.4	52.0	53.1	8	Drug & Toilet Articles	65.4	42.9	46.8	42.9*	44.4
149.3	44.7	46.9	5	Electric Apparatus	55.1	34.1	35.5	34.1*	35.2
21.5	4.3	4.6	3	Fertilizers	5.5	2.9	3.0	3.1	3.0
91.3	40.8	41.7	2	Finance Companies	58.7	37.4	38.9	37.4*	34.0
80.1	43.7	45.3	7	Food Brands	50.4	35.7	37.8	35.7*	35.8
83.0	44.4	45.0	3	Food Stores	56.4	42.5	43.6	43.2	44.6
51.7	21.7	21.8	3	Furniture & Floor Covering..	38.2	21.0	23.3	23.3	23.3
45.5	16.6	17.0	5	Household Equipment	21.1	12.4	13.1	12.5	12.4*
89.5	17.1	19.1	10	Investment Trusts	26.4	12.7	14.0	13.2	12.7*
96.3	26.1	26.1	3	Mail Orders	27.4	12.5	13.5	12.5*	12.6
69.2	22.3	23.4	31	Petroleum & Natural Gas...	29.2	21.6	21.6*	22.3	25.2
68.8	12.7	13.0	4	Phonos. & Radio (1927—100)	17.5	7.7	9.3	7.7*	9.0
196.8	77.0	78.1	20	Public Utilities	87.6	53.6	56.7	56.3	57.1
73.1	20.6	21.2	10	Railroad Equipment	26.9	15.2	16.0	15.8	15.2*
88.4	22.5	22.5	30	Railroads	31.3	15.2	16.9	15.7*	15.2*
100.7	41.8	41.8	3	Restaurants	42.3	23.2	29.0	24.2	23.2*
38.0	8.8	8.8	3	Shipping	14.3	6.9	7.4	8.0	6.9*
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.2	64.1	66.7	69.4	64.1*
92.3	25.3	25.8	9	Steel & Iron	30.7	17.7	18.1	18.0	17.7*
18.9	7.3	7.3	5	Sugar	9.4	4.4	4.4	4.4	4.4
218.0	84.2	89.5	2	Sulphur	101.7	71.9	73.9	75.5	77.6
132.4	44.5	44.5	3	Telephone & Telegraph......	54.4	31.3	33.6	31.6	31.3*
46.0	16.1	18.2	5	Textiles	24.6	16.6	19.0	19.6	21.2
15.8	4.4	4.9	5	Tires & Rubber............	6.0	3.5	4.2	3.5*	3.9
78.6	47.0	48.3	5	Tobacco	68.6	48.3	51.5	50.3	51.9
86.1	26.1	26.1	4	Traction	57.0	25.5	36.7	35.8	39.1
82.0	44.5	44.9	2	Variety Stores	50.9	34.0	35.4	34.4	34.0

* New low record since 1928.

(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

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1. Be brief.
2. Confine your inquiries to *three securities only.*
3. Write name and address plainly.

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UNITED STATES RUBBER CO.

I am considering the purchase of a block of U. S. Rubber common stock as a low priced speculation. Before making my commitment, however, I would appreciate a word from you as to the outlook for this company, and the advisability of such action.—A. D. C., Akron, Ohio.

The earnings record of United States Rubber Co. during the past few years, has been unsatisfactory, losses having been incurred during all of the past four years, with the exception of 1929, when a small profit was registered. Operations during the calendar year of 1931 incurred a loss of $9,473,404 as compared with a deficit of $18,063,940 in 1930. While it is yet too early to accurately anticipate 1932 results, there is little in evidence at the moment to justify the belief that an early improvement in earnings trend is in prospect. The current position of the company at the close of last year showed improvement over that of a year earlier, the current ratio exceeding 8 to 1, while cash alone amounted to $13,181,029 as compared with total current liabilities of $7,625,038. However, a disturbing element in the outlook for the company is the substantial amount of funded debt maturities falling due within the next year or so. On June 1, 1933, approximately $14,500,000 principal amount of 6% secured notes fall due, while three months earlier, $2,000,000 principal amount of Serial 6½% bonds must be redeemed. Unless a sharp reversal of earnings trend appears in the not too distant future, the enterprise may experience some difficulty in refinancing these obligations, without a capital reorganization. The company is the second largest unit in the rubber industry, producing tires, tubes, footwear, clothing, flooring, fiber products, chemicals and many other products. More than one-third of the rubber consumed by the company is obtained from its own plantations, but in view of current low quotations for crude rubber, this is not a particularly distinct advantage, at this writing. Although current prices for the common stock amply discount the uncertainties confronting the company, we would prefer to await a general clarification of the outlook, before lending our unqualified endorsement to commitments.

ARMOUR & CO. (Illinois)

When I try to get information about Armour I find that there are contradictory opinions held by people who are supposed to know what is going on. One idea is that operations in both the U. S. and in South America have brought a series of severe losses—with more in prospect. The other view is that the management is making an economy drive that has already shown results and promises further improvement. Can you give me the real facts? —L. D., Portland, Me.

The meat packing industry has been subject to such adverse influences as fluctuating prices and keen competition over the past several years. As a result, many operating economies have been required, tending to place the leaders of the industry in an efficient position to take advantage of any general stabilization. Among the larger enterprises in the field is Armour & Co. of Illinois. In the fiscal year ended October 31, last, dollar sales of the company declined 25% to $668,000,000, from $900,000,000 in the 1930 fiscal year. With the exception of Armour's South American beef business, all of the subsidiaries showed losses for the year. However, a $3,000,000 item for revaluation of net current assets due to the decline in South American exchange was an unfavorable factor in the affairs of the subsidiaries serving that Continent. The consolidated income account of Armour for the last fiscal year showed a loss of $2,682,619, before items of $7,172,289 for depreciation and $7,484,228 for interest. This compared with a profit of $21,388,104 before interest and depreciation in the 1930 fiscal year. Thus, the total net loss for the 1931 year was $17,339,136, against a profit of $4,741,026, in the previous period. It is probable that the company is in a much stronger trade position this year. Meat prices are steadier and inventories on October 31 were down to $68,086,007 from $112,214,955 as of the close of the 1930 period. The costs of domestic operations were reduced 20% in 1931 through salary reductions and the closing of many unprofitable branches. The financial position is likewise improved. Cash increased to $33,208,706 from $11,902,727 at the end of the 1930 period. First mortgage bonds outstanding declined $5,082,000 to $118,433,000 during the course of last year. Furthermore, $6,115,900 of guaranteed North American Provision Co. preferred stock was retired in 1931, in addition to $648,700 of guaranteed 7% preferred stock of Armour of

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Delaware and $2,067,100 of the 7% preferred stock of the Illinois company. In view of the extent to which the shares of this enterprise have adjusted themselves marketwise to prevailing conditions, we see no need for a sacrifice sale at this time.

AMERICAN HOME PRODUCTS CORP.

The 200 shares of American Home Products that I own cost me 58. I have had a good opinion of the company, as they seem to have shown quite an aggressive attitude in keeping up earnings. But it looks to me as though they had over-extended themselves in taking over John Wyeth & Bro., with the resulting obligations. Please let me know, as quickly as possible, whether you think this latter circumstance alters matters enough to make it advisable to sell.—C. B. B., Topeka, Kans.

The essentially stable character of the patent drug and household preparations business is well illustrated by the 1931 report of American Home Products Corp. In the face of a sharp decline in public purchasing power, the company showed a gain in sales to $16,491,742 from $14,918,115 in 1930, although net earnings moved up more gradually to $3,970,983 last year from $3,906,654 in the previous period. 1931 results only partially reflect the benefits of the acquisition of John Wyeth & Bros. of Philadelphia, one of the oldest pharmaceutical houses in the country. This latest addition to American Home Products' diversified group of holdings should prove an increasingly important contributor to earnings, as the parent company's management extends its influence. The properties were purchased for cash, contributing to a decrease in cash account from $2,410,385 at the end of 1930 to $1,827,298 at the end of 1931, and responsible for an item of $1,800,000 notes payable, the first appearance of such a liability in several years. The company has no funded debt, the sole capital liability being the 611,000 no par shares of common stock. Almost without exception, the products of the company have long records of profitable operations and their markets are growing as a result of nation-wide advertising. It does not appear that further large scale expansion is in near term prospect and resources would appear ample for present needs. On a per share basis, 1931 earnings were equal to $5.52 or well over the current annual dividend requirements of $4.20 a share. Thus far, in 1932, the company has made a favorable showing although exact comparisons with the corresponding period of 1931 are not available. On sales for the quarter of $4,632,000, the company realized net profits of $886,091 or $1.45 a share. At current quotations for the stock, the reasonably well secured dividend

offers an attractive yield and we favor maintenance of your present long position for this yield, and for the opportunity to participate in the potential expansion of earnings.

PHILADELPHIA ELECTRIC POWER CO.

In view of the recent weakness in prices for stocks of the utility group, I am wondering whether Philadelphia Electric Power 8% Preferred would be regarded favorably by you. I am dependent upon the income from my investments. — M. R. P., Williamsport, Pa.

The 8% cumulative preferred stock of Philadelphia Electric Power Co. might well be included in that selective group of securities having "a close claim on earning power" previously recommended in the columns of THE MAGAZINE OF WALL STREET. Philadelphia Electric Power Co. represents an important unit in the utility system of United Gas Improvement, a factor that augurs well for the future. Organized under the laws of Pennsylvania in April, 1924, as the Susquehanna Water Power Co., and later (January, 1926) changed to the present title, the company is engaged in the supply, storage and transportation of water and water power from the Susquehanna River and its several tributaries. Together with its subsidiary (The Susquehanna Power Co.), Philadelphia Electric Power Corp., jointly holds a license from the Federal Power Commission under which has been constructed a hydro-electric development near Conowingo, Maryland, on the Susquehanna River. The dam, power plant, transmission lines, etc., are leased in part directly to Philadelphia Electric Co. and in part to its subsidiary, the Susquehanna Electric Co. (stock of the latter is owned by Philadelphia Electric Co.) for a period of 50 years (life of the Federal license) with renewal privileges covering any extension of time granted by the Federal Power Commission. The lease provides that the Philadelphia Electric Co. and its subsidiary are responsible for payment of all operating and maintenance expenses, taxes, and retirement reserves of the mortgaged property, and of net annual rentals equal to 7% of cost of property, subject to the revision by public authorities having jurisdiction. By virtue of the foregoing lease, Philadelphia Electric Co. receives the entire delivered annual output of the plant, except such amount of power as may be needed to supply local requirements. Earnings record of Philadelphia Electric Power Co. reveals a constant upward trend in recent years. The annual statement for 1931 has not as yet been published, but last year's results in all likelihood made a favorable comparison with those of the previous year. The capital structure of the company is simple, consisting of $35,492,000 principal amount of first mortgage 5½% bonds due 1972, 480,000 shares of 8% cumulative preferred stock ($25 par value), and 2,000 shares of common stock ($25 par value). All of the common stock is owned by Philadelphia Electric Co., which in turn is controlled by the United Gas Improvement Co. When consideration is given to the important position and strong affiliations of Philadelphia Electric Power Co., its preferred shares merit investment consideration. Moreover, at current prices, the stock yields a return of approximately 7½%.

UNITED STATES PIPE & FOUNDRY CO.

About four years ago I paid 41 for U. S. Pipe & Foundry and am still holding it. Of course, I am getting a little income from it now, but the fact that the company has declared dividends for a year ahead strikes me as unusual. What can you tell me about this and what do you advise me to do about my stock?—C. R. C., Salt Lake City, Utah.

The check of expansion of water and gas main facilities, resulting from the general business slack, has necessarily restricted the operations of United States Pipe & Foundry, dominant manufacturer in that field. Total 1931 income of $1,859,335 compared with $3,754,325 in 1930. After depreciation, net profits were $1,012,215 last year, against $2,881,046 in the previous period. Dividend requirements on the preferred stock are equal to $719,693, while the annual dividend rate of $2 on the 600,000 shares outstanding requires $1,200,000. This total of $1,919,693 is little more than 1931 earnings before depreciation. It appears, from the action of the directors in declaring common dividends in advance for the full year 1932, that they consider the longer term outlook sufficiently encouraging to warrant charging all depreciation to surplus in the present business emergency. The financial position of the company, as of December 31, last, amply supports such a policy. Current assets were $17,286,545 against current liabilities of $1,103,838. Cash and call loans alone totaled $7,387,277 compared with $4,533,406 at the close of 1930. The company has no funded debt. According to the statement of the president, accompanying the annual report, the damming up of pipe orders was in progress for some time before the general industrial dullness set in. However, it was pointed out that pipe requirements can only be postponed and must come into the market eventually. U. S. Pipe & Foundry has a strategic trade position, supported by the sole American and Central American rights to the de Lavaud process for centrifugally casting pipe. While it is quite probable that operations will continue at a low level for some time to come, we feel that this has been discounted by quotations for the shares and that present holders of the stock are justified in further retention on the long term possibilities.

PULLMAN CO., INC.

Ever since I made a trip on the B. & O.'s air-conditioned train last year, I have been greatly interested in this development in railroading. I understand that Pullman is very active in this new field and has received substantial orders from several roads for the installation of such equipment. Should not this factor make for better earnings for 1932? If not, perhaps it would be best to dispose of my stock.—E. L., Cincinnati, Ohio.

Pullman Co., Inc., a leader in the manufacture of railroad cars and possessor, through its subsidiary, Pullman Co., of a virtual monopoly in the operation of parlor, sleeping and dining cars, was necessarily adversely affected by the 1931 railroad situation. Earnings for the full year were equal to only 61 cents a share against $4.37 a share in 1930. The carrier division with net earnings of $3,263,619 in 1931 against $5,691,077 in 1930, was considerably more stable than the manufacturing branches whose operations resulted in a 1931 deficit of $3,025,410 against net earnings of $10,046,110 in 1930. Some fare adjustments have been made by the carrier subsidiary in order to promote the use if its facilities. In this connection, the increasing efforts of the railroads to expand tourist travel through special excursion rates should aid Pullman Co. in maintaining revenues from the operation of its services. Wage and salary reductions in 1932, on the basis of the 1931 scale of employment, will effect a saving of $2,800,000 in labor costs of the carrier and manufacturing divisions combined. The first benefits of the reductions and other economies were felt in the report of the carrier division for February when profit after taxes amounted to $27,556, against a loss of $186,718 in the corresponding month last year. This was in the face of a decline in gross of $1,306,203. Contracts with the railroads have been revised to encourage a closer adjustment of the number of cars used to the available traffic. It, therefore, appears that carrier operations are becoming better stabilized to general business conditions. With this accomplished, rehabilitation of earning power on the former scale will depend upon the revival of railroad equipment buying. Not only are freight and passenger

(Please turn to page 118)

New York Stock Exchange

RAILS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 5/4/32	Div'd $ Per Share
A								
Atchison	242½	168	202⅝	79¼	94	34¾	37⅛	4
Do Pfd.	108¾	100	108¼	75	86	57	57½	5
Atlantic Coast Line	175½	95¼	120	25	41½	14	14¾	4
B								
Baltimore & Ohio	122⅜	55⅝	87⅞	14	21⅜	7½	7¾	..
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	30½	37	4
Do Pfd.	98¾	83	94¼	63	78⅜	63	63	6
C								
Canadian Pacific	52¼	35¼	45⅝	10¾	20⅝	10⅝	10⅞	1¼
Chesapeake & Ohio	51⅜	32⅜	46½	23⅜	31½	12¾	16½	2½
C. M. St. Paul & Pacific	26⅜	4¼	8⅞	1½	3¼	1	1⅛	..
Do Pfd.	46¼	7¾	15⅜	2½	5¼	1⅜	1½	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	4	4⅛	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	3¾	3⅜	..
D								
Delaware & Hudson	181	130⅛	157¼	64	89½	50¼	52	9
Delaware, Lack. & Western	153	69½	102	17¾	28¾	11	12	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	3¾	4¼	..
Do 1st Pfd.	67⅜	27	45½	6⅜	13½	4½	4½	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	9¾	9⅞	2
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	..	..	†17¾	..
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	9½	11	..
Interborough Rapid Transit	39⅛	20⅜	34	4⅝	14⅝	5⅛	7	..
K								
Kansas City Southern Pfd	70	53	64	15	23¾	10	10	4
L								
Lehigh Valley	84⅞	40	61	8	18	7¼	7¾	..
Louisville & Nashville	138½	84	111	20¼	32⅜	11¾	12	4
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	2⅝	2⅝	..
Do Pfd.	108⅜	60	85	10½	21⅞	8¼	8¾	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	2½	2¾	..
Do Pfd.	145½	79	107	12	26	5⅛	5½	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	14¾	15½	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	2	2	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	11⅝	12⅜	..
Norfolk & Western	265	181½	217	105⅝	135	72	80	*12
Northern Pacific	97	42⅜	60⅞	14½	23¼	9¾	10	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	10⅛	10½	..
Pittsburgh & W. Va	121¾	48½	86	11	..	..	†3	..
R								
Reading	141½	73	97½	30	42	15¾	17	1
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	1⅛	1¼	..
St. Louis-Southwestern	76¾	18	33⅛	4¼	11½	3¾	3¾	..
Southern Pacific	127	88	109½	26⅞	37⅝	11¼	12⅜	..
Southern Railway	136¾	46½	65⅞	6⅜	13	5	5⅛	..
Do Pfd.	101	76	83	10	20½	6	6	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	46⅛	51	10
Do Pfd.	88⅜	82¼	87	51	68	51½	52⅛	4
W								
Western Maryland	36	10	19⅝	5	7¾	2¾	3	..
Western Pacific	30½	7½	14⅞	1¾	4	1	1	..
Do Pfd.	53½	23	31⅝	3	6⅝	2	2	..

INDUSTRIALS and MISCELLANEOUS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 5/4/32	Div'd $ Per Share
A								
Adams Express	37⅜	14¼	23½	3⅛	5¾	2¼	2½	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	62½	34¼	37	*4½
Allegheny Corp.	35¼	5⅜	12¾	1⅛	3⅜	1	1⅛	..
Allied Chemical & Dye	343	170¼	182¾	64	87½	49½	52½	6
Allis Chalmers Mfg.	68	31¼	42¾	10⅛	13⅝	6⅛	6⅜	.50
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	7¾	7¾	1.60
American Can	156½	104⅝	129¾	58⅛	73⅞	35¾	37⅜	*5
Amer. Car & Fdy	82½	24⅛	38¾	4½	8⅜	4⅛	†5¼	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	2¼	3⅛	..
American Ice	41⅞	24½	31⅝	10⅛	21⅝	12	17	2
Amer. International Corp	55⅜	16	26	5	8½	4⅛	4¼	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	13	13	1.40
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	16⅝	6¼	8⅜	1
Amer. Radiator & S. S	39¾	15	21½	5	8½	4⅜	4⅝	.40
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	13	5⅛	5⅛	..
Amer. Smelting & Refining	79½	37½	58½	7½	18⅝	7½	8⅛	..
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	4¼	4½	..
American Stores	55½	36½	48¼	33	36¾	30⅛	31⅝	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	15	16½	4
Amer. Tel. & Tel	274¼	170⅜	201¾	112½	137⅜	95⅛	97⅝	9
Amer. Tobacco Com	127	98½	128¾	60½	86⅜	61	63¾	*6
Amer. Water Works & Elec	124⅞	47⅝	80¾	23⅛	34½	18½	20	3
Anaconda Copper Mining	81⅛	25	43¼	9¼	12⅜	4½	4¾	..
Assoc. Dry Goods	50⅛	19	29⅝	5⅜	8¼	3½	3¾	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	12⅞	8⅝	9⅝	1
Auburn Auto	263¾	60⅝	295½	84½	151¾	30	33⅞	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/4/32	Share
B								
Baldwin Loco. Works	38	19⅜	27⅞	4⅝	8½	3¼	†3½	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	5⅞	4	4⅛	..
Beech-Nut Packing	70⅛	46¾	62	37½	44¾	36½	37	3
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	6¾	6⅞	.60
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	12½	12½	2
Bethlehem Steel Corp.	110¼	47⅜	70⅜	17¼	24⅜	12⅝	12½	..
Bohn Aluminum	69	15¾	43	15½	22¼	6¼	7⅛	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	26⅜	27⅞	3
Borg Warner	50½	15	30¾	9	12⅝	5	5¼	1
Briggs Mfg.	25⅜	12⅛	22¾	7½	11¾	5	6	1
Burroughs Adding Mach.	51⅞	18⅜	32¼	10	13	6¾	7¼	.80
Byers & Co. (A. M.)	112⅝	33⅛	69⅜	10⅞	19	7½	8⅛	..
C								
California Packing	77½	41¼	53	8	11⅞	5⅛	5¼	..
Calumet & Hecla	33⅝	7¾	11⅜	3	4	2	†2⅛	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅝	13½	6¾	7½	1.20
Case, J. I.	362¾	83½	131½	33¼	43⅜	19⅛	20⅞	..
Caterpillar Tractor	79¾	22	52½	10¼	15	5¾	6	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	5⅛	6	..
Chesapeake Corp.	82½	32¼	54½	13⅞	20⅝	6⅛	8½	3
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	2⅛	2⅛	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	8¼	8⅝	1
Coca-Cola Co.	191⅜	133¼	170	97⅛	120	88¼	91⅝	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	21¾	22⅛	2½
Colorado Fuel & Iron	77	18¾	32¼	6½	12⅜	4¼	4⅝	..
Columbian Carbon	199	65⅛	111⅝	32	41⅞	16⅛	17¾	3
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	16⅛	6⅛	8	1
Commercial Credit	40¾	15½	23¼	8	11	6⅝	6¾	1
Commercial Solvents	38	14	21½	6⅝	10¼	5½	6	.60
Commonwealth & Southern	20½	7½	12	3	4⅞	2⅛	2½	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68⅜	47½	49½	4
Continental Baking Cl. A	52½	16¾	30	4½	7	3	3	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	23	24⅜	2½
Continental Oil	30½	7¾	12	5	7	4¾	4¾	..
Corn Products Refining	111⅜	65	86⅝	36¼	47⅝	29⅛	32½	3
Crucible Steel of Amer.	93⅝	50½	63	20	23¼	9	9	..
Cudahy Packing	48	38⅛	48⅞	29	35½	25¼	26⅛	4
Curtis Publishing	126⅛	85	100	20	31	15	†16¾	2
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	1	1	..
D								
Davison Chemical	43⅝	10	23	3⅛	5¼	2	2⅛	..
Diamond Match	24⅞	10	23	10⅝	15⅞	12	13¼	1
Dominion Stores	30⅝	12	24	11	18	13	13¾	*1⅛
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	33¾	37	4
Du Pont de Nemours	145¼	80½	107	50⅞	59¾	27⅛	28⅜	4
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	44¾	46¾	5
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	8	4¼	4½	.50
Electric Auto Lite	114⅞	33	74⅜	20	32¾	11	12¼	4
Elec. Power & Light	108½	34⅜	60¾	9	15⅜	5½	6¾	1
Elec. Storage Battery	79¼	47½	66	23	33¼	16⅝	17¾	3
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	36⅛	25¼	25¼	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21⅛	12⅞	15⅜	11½	12	1
First National Stores	61⅜	33⅝	63	41	53	39½	41½	2½
Foster Wheeler	104½	37⅛	64½	8	12	4⅞	5	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2⅛	5⅜	2	2	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	13⅞	14⅝	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	15⅞	16	4
General Asphalt	71⅛	22⅝	47	9⅝	15½	7⅜	7⅜	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	12¾	13½	1
General Foods	61¼	44⅜	56	28¼	40½	28⅝	30½	3
General Mills	59⅛	40⅛	50	29⅛	37	28½	30⅝	3
General Motors Corp.	54¼	31½	48	21⅜	24⅝	10⅛	10⅜	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	12¼	14¼	3
General Refractories	90	39	57⅜	12	14¾	4	†3	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	12½	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅝	11⅛	11⅞	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	2⅞	3¼	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	18¾	9⅛	10	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	7¾	3⅝	3¾	..
Grand Union	20⅝	10	18⅞	7	9¾	5⅛	5¼	..
Great Western Sugar	34½	7	11⅞	5¾	6½	3¼	4	..
H								
Hershey Chocolate	109	70	103¾	68	83	52½	54½	6
Houston Oil of Texas (New)	116⅞‡	29¼‡	14	3	5⅛	2⅛	2¼	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	4	4	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	2	2⅛	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	75½	80½	6
Inter. Cement	75⅜	49½	62½	16	18¾	7½	8½	2
Inter. Harvester	115¾	45¼	80½	22⅜	29¾	15⅝	16⅞	1.80
Int. Match Pfd.	92	52¼	73¼	11	24½	¼	⅜	..
Inter. Nickel	44⅜	12¾	20⅛	7	9¼	5	5⅜	..
Inter. Tel. & Tel.	77⅜	17½	38¾	7⅛	12¼	4⅝	5⅜	..
J								
Jewel Tea	66½	37	57½	24	35	23⅛	23⅛	*4½
Johns-Manville	148⅜	46¾	80¾	15⅝	25½	10¼	12⅝	..
K								
Kelvinator	26⅝	7⅜	15½	6	10⅜	4⅞	5⅛	..
Kennecott Copper	62¾	20⅛	31½	9⅝	13	5½	6⅝	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	8⅜	10	1.60
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	⅛	⅛	..
Kroger Grocery & Baking	48⅛	17⅛	35½	12½	18⅞	11⅜	12⅝	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56⅜	31⅞	34	8
Lehn & Fink	36	21	34⅝	18⅛	24¼	14	15	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale 5/4/32	Div'd $ Per Share
	High	Low	High	Low	High	Low		
L								
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	61¾	45⅛	45⅝	5
Liquid Carbonic	81⅞	39	55⅛	13½	22	9	10¼	2
Loew's Inc.	95¾	41¾	63½	23⅞	34	20⅜	22	†4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	24¼	24¼	†3
Lorillard	28⅛	8¾	21⅞	10	16⅞	12	13½	1.20
M								
Mack Truck, Inc.	88⅛	33⅝	43⅞	12	18⅛	12¼	13⅛	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	27⅞	29¼	2
Marine Midland	32½	17¾	24¼	9¼	12¼	8¼	8¾	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	11⅜	11½	2
May Dept. Stores	61⅜	27¾	39	15⅝	20	12⅝	12⅝	1.80
McKeesport Tin Plate	89½	61	103½	38½	62¼	33½	35	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	11⅛	6½	7	..
N								
Nash Motor Co.	58⅛	21¼	40⅞	15	19⅛	9	9½	2
National Biscuit	93	68⅝	83¾	36⅜	46⅞	29¼	32½	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	14⅜	7¼	8¼	..
National Dairy Prod	62	35	50¾	20	31⅜	20½	22¼	2.60
National Power & Light	58¾	30	44¼	10¼	16⅜	8⅜	12	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	2¾	3⅛	..
North Amer. Aviation	15⅝	4¼	11	2⅜	4¼	1¾	1⅞	..
North American Co.	132⅞	57¼	90¼	26	40	21¾	23¼	§10%
O								
Ohio Oil	34⅛	16	19½	5⅛	7⅞	5	6¼	..
Otis Elevator	80⅝	48¼	58½	16⅛	22½	11	12¾	2
P								
Pacific Gas & Electric	74⅞	40⅛	54⅞	29⅝	37	24⅝	26¼	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	2	2¼	..
Paramount Publix	77¼	34¾	50¼	5⅛	11½	2⅝	3	..
Penney (J. C.)	80	27⅝	44¾	26¾	34½	19¼	20¾	2.40
Phelps Dodge Corp.	44⅜	19¾	25⅝	5⅞	8½	4	4⅝	..
Phillips Petroleum	44¾	11½	16⅝	4	6½	3¾	3¾	..
Prairie Pipe Line	60	16⅝	26⅛	6⅞	9¾	5¾	6⅝	..
Procter & Gamble	78⅞	52⅝	71¼	36⅞	42¾	25½	30¼	2.40
Public Service of N. J.	123¾	65	96½	49⅛	60	38¼	42⅜	3.40
Pullman, Inc.	89⅜	47	58½	15⅛	25	13⅛	14	3
Pure Oil	27¼	7⅝	11⅞	3¼	5⅛	3¼	3¾	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	6⅛	6½	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	10⅝	3¾	3⅞	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7	2¾	3	..
Remington-Rand	46½	14⅛	19¾	1⅞	3⅜	1⅞	2	..
Republic Steel	79½	10⅛	25⅜	4⅛	6½	3	3	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	31⅛	31⅞	3
Royal Dutch	56½	36⅞	42⅝	13	23	12⅛	16½	..
S								
Safeway Stores	122⅜	38¾	69½	38⅝	59¼	39	45⅛	5
Sears, Roebuck & Co	100⅝	43⅛	63¼	30¼	37⅜	15	16¼	2½
Servel, Inc.	13⅛	3⅛	11¾	3½	5⅜	1¾	2	..
Shell Union Oil	25½	5¼	10¼	2½	4⅛	2½	2¾	..
Simmons Co.	94⅞	11	23¾	6⅞	..	..	†4¾	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4½	2½	3⅛	..
Socony-Vacuum Corp.	..	..	21	8⅜	10¾	8	8	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	23¼	23⅞	2
Standard Brands	29¼	14⅛	20½	10½	14	9¾	10¾	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	34¼	14½	15¾	3½
Standard Oil of Calif	75	42¼	51¾	23⅛	27¼	16¾	18¼	2
Standard Oil of N. J.	84⅞	43⅛	52½	26	31½	19⅞	23¾	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	2⅜	2½	..
Stone & Webster	113⅜	37⅛	54½	9⅞	15⅛	7⅛	7⅜	.50
Studebaker Corp.	47¼	18⅛	26	9	13¼	3⅝	4¼	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	10	10½	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	16	17⅞	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	6½	3⅜	3½	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2	2¼	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	13¼	13¾	1½
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23⅛	11	11¼	2
Union Carbide & Carbon	106⅜	52½	72	27⅛	36⅜	16½	17¾	2
Union Oil of Cal	50	20½	26⅝	11	13⅞	9⅞	10	1.40
United Aircraft & Trans	99	18⅜	38⅞	9⅞	16⅞	9¾	10⅜	..
United Carbon	84	14⅜	28¾	6⅛	14	7½	†8⅛	..
United Corp.	52	13⅞	31¼	7½	10⅛	5	6⅛	.40
United Fruit	105	46½	67¾	17½	30½	15⅛	16	3
United Gas Imp	49⅜	24¼	37½	13⅜	21⅜	14¼	16¼	1.20
U. S. Industrial Alcohol	139⅝	50⅛	77⅜	20⅜	31⅛	16⅞	17⅞	..
U. S. Pipe & Fdy	38¼	18⅛	37⅛	10	15½	8¾	10	2
U. S. Realty	75½	25	36¾	5½	8½	5	5	..
U. S. Rubber	35	11	20⅜	3½	5⅜	3	3⅛	..
U. S. Smelting, Ref. & Mining	36½	17⅛	25¾	12⅜	19⅞	11½	13	1
U. S. Steel Corp	198¾	134⅜	152⅜	36	52⅝	26⅜	27¾	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	2⅝	2⅝	..
V								
Vanadium Corp.	143¼	44⅜	76¾	11	18⅞	6⅝	7	..
W								
Warner Brothers Pictures	80¼	9⅜	20⅜	2⅛	4⅜	1¼	1¼	..
Western Union Tel	210⅜	122⅛	150¾	38½	50	21	23	4
Westinghouse Air Brake	52	31¼	36⅛	11	17¼	9¼	11½	1
Westinghouse Elec. & Mfg	201½	88⅛	107¾	22½	35⅞	19⅞	22¾	1
White Motor	43	21⅝	26¼	7⅜	12	7¾	8	..
Woolworth Co. (F. W.)	70⅜	51⅛	72¾	35	45⅝	31⅜	33¼	2.40
Worthington Pump & Mach	169	47	106⅞	15¼	28⅜	7¾	8½	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	34¾	35	4

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Railroads

Public Utilities

Petroleum

IMPERIAL OIL, LIMITED

DIVIDEND.

Notice to Shareholders and the Holders of Share Warrants.

Notice is hereby given that a dividend of twelve and one-half cents (12½c) per share, in Canadian funds, has been declared by the Directors of the Company and that the same will be payable in respect of shares specified in any share warrant of the Company of the 1929 issue within three days after the Coupon Serial Number THIRTY-THREE (33) of such share warrant has been presented and delivered to ANY BRANCH OF:

The Royal Bank of Canada

such presentation and delivery to be made on or after the 1st day of June, 1932.

Payment to Shareholders of record at the close of business on the 14th day of May, 1932 (and whose shares are represented by share certificates of the 1929 issue) will be made on or after the 1st day of June, 1932.

The books of the Company for the transfer of shares will be closed from the close of business on the 14th day of May, 1932, to the close of business on the 31st day of May, 1932.

BY ORDER OF THE BOARD.

F. E. Holbrook,
Secretary.

56 Church Street,
Toronto, Ontario.

San Francisco, California
May 2nd, 1932

At a meeting of the Board of Directors of Standard Oil Company of California held today Dividend No. 25 of 50c per share was declared on the outstanding stock of this corporation payable on June 15th, 1932, to all stockholders of record as shown by the transfer books of the corporation in San Francisco and New York at the close of business on May 16th, 1932.

STANDARD OIL COMPANY OF CALIFORNIA

Answers to Inquiries

(*Continued from page 112*)

cars wearing out from use, but also they are becoming obsolete from the many mechanical advances made within the past few years. The development of air conditioning alone has stimulated some new business in spite of generally curtailed railroad purchasing power. It was announced that in January, more than 500 men were added to the forces at the Chicago Pullman plant. It is probable that competition will require the growing use of such equipment by the more important railroads. Other types of improved equipment will be in greater demand as railroad credit and purchasing power return to normal. Pullman was in a strong financial position, as of December 31, 1931, with cash and Government securities of $39,342,386. Net working capital was $68,335,805. Under the circumstances, we believe it will be to the advantage of present holders of the stock to retain their interests in this company on the prospects for a gradual recovery of its former earning power.

CONTINENTAL CAN CO., INC.

Somewhere I have gotten the idea that Continental Can is having difficulty in collecting its bills and that the total amount of such questionable assets runs into a big amount. As a stockholder this interests me and I would be thankful for whatever information you may have. If this factor is big enough to endanger the company's financial equilibrium, I judge it might be best to get out of this stock.—S. S. T., Norfolk, Va.

Continental Can Co., Inc., the second largest manufacturer of tin containers, closed the year 1931 in an impressive financial condition, with current assets, including $9,225,594 in cash, totalling more than 17 times the current liabilities. Current liabilities amounted to but $1,871,573 of accounts payable, tax reserves and accruals. The latest balance sheet showed a relatively large amount of accounts and notes receivable, indicating that collections have not been prompt. However, we do not look upon the increase in receivables as a particularly adverse factor as it may be due in part to some growth in business volume. The company reported earnings of $5,279,709 after depreciation, Federal taxes, etc., for the 12 months ended March 31, 1932, or an amount equivalent to $3.05 per share of common stock. A direct comparison is not available, but Continental Can earned $3.27 a share in the calendar year 1931, after a special reserve of 71 cents a share. Profits this year will reflect the reduction in the canning crop and the low level of general business, but the annual dividend of $2.50 is expected to be earned. Inasmuch as the company is in a strong financial position and is engaged in an industry which appears assured of definite growth over a period of years, we counsel against sacrificing your equity in Continental Can at this time.

GENERAL AMERICAN TANK CAR CORP.

With the small amount of freight I see moving on the railroads, I am greatly concerned about the future for my stock in General American Tank Car. Isn't this company in just as bad a fix as the carriers; if not worse? Please tell me just how you view the situation? If I had better sell and take my loss, I want to know it. Likely I could switch to something else which would have a quicker recovery.—D. M., Chattanooga, Tenn.

Consolidated income report for the 1931 calendar year of General American Tank Car Corp. revealed net income of $4,011,268 equal to $5.33 a share on 751,638 no par shares of capital stock. This compares with net of $6,518,181 or $8.03 a share on 811,640 shares outstanding in 1930. When consideration is given to the business and industrial unsettlement existing during the year, the above results should not be regarded as disappointing. As a matter of fact, on a comparative basis, the decline in earnings registered by General American Tank Car was less pronounced than the average of other railroad equipment companies. Through subsidiaries, General American Tank Car Corp. is engaged in the construction of tank, refrigerator and other specially designed railroad cars, the leasing of such rolling stock, and the operation of shops for the repair and maintenance thereof. More than 50,000 cars are operated on a lease basis in this country, while two European subsidiaries, operate all kinds of tank, refrigerator and other cars throughout the Continent. Moreover, it operates a tank farm, in New Orleans, having a storage capacity of some 40,000,000 gallons, together with a barrelling plant and terminal facilities, which is regarded as one of the largest of its kind in the world. At the current writing, no doubt, the car building department is the least profitable of the operating divisions of the company, while revenues from its foreign subsidiaries have been restricted by the unfavorable exchange rates. Thus, the car renting division, in all likelihood, will continue to be the major contributing source of income for the company during the current year. Latest reports indicate that profits for the initial quarter were below dividend requirements for that period. Despite the satisfactory financial condition of the company at the close of last year, when consideration is given to the uncertainties confronting business and industry generally during the current year, we believe the directors will follow a conservative policy with regard to dividend distributions at their next meeting. However, current prices for General American Tank Car common amply discount near term uncertainties, with the result that we are inclined to regard the needless disposal of present holdings in the nature of a sacrifice and advise against such action.

WESTERN UNION TELEGRAPH CO.

I have been thinking of purchasing Western Union common; but would like to have your comments relative to the commitment before taking definite action. I notice that quotations have continued to decline, and wonder whether to attribute this action to general market weakness, or rather some adverse developments in the affairs of the company. I shall appreciate a report relative to the present position and prospects of this company.—S. R. D., Grand Rapids, Mich.

Western Union Telegraph Co. reported net income for the initial quarter of 1932 of $83,428, equal to 8 cents a share on the capital stock, as compared with $1,504,897 or $1.44 a share for the first three months of 1931. The fact that a profit was reported for the first three months of this year, in the face of existing conditions, we are informed should be regarded as gratifying, and was only accomplished after reducing operating costs to the minimum. While it is yet too early to anticipate full 1932 returns, current reports emanating from official sources are not at all inspiring. That earnings have followed a consistent downward course since 1925 indicates that the difficulties confronted by the company lie beyond the current adversities of depression. Western Union Telegraph controls more than 80% of the land telegraph lines in the United States, thereby furnishing a national service—a factor that has been the strength of the company in past years. However, when 20,000 of a total of 26,000 branch offices are being operated at a loss, the advisability of maintaining such a widespread service becomes questionable. Admittedly, a recovery of general business conditions from prevailing depressed levels would materially reduce this unfavorable ratio. However, increasing competition from radio and telephone no doubt will restrict earnings expansion of Western Union Telegraph Co. during ensuing years. In the interim, a careful study of the company's financial position is important. As of December 31, 1931, total current assets amounted to $30,634,195, as compared with total current liabili-

ties of $13,175,079, leaving net working capital of $17,459,116. Comparative figures at the close of 1930 were $39,684,970, $17,984,648 and $21,-700,322, respectively. Surplus declined $2,359,646 to $93,333,051 as of December 31, 1931. Of course, the foregoing figures are somewhat reassuring, but in view of the uncertainties confronting the company the management no doubt will continue to follow conservative policies with regard to dividend distributions in the future. Western Union common does not appeal to us as an attractive purchase at this writing, and we suggest that you defer your commitment pending a more clearly defined outlook.

STANDARD OIL CO. OF INDIANA

I have 170 shares of Standard of Indiana which cost me an average of 29½. If there isn't any prospect of improvement in the prices of crude oil and petroleum products. I suppose I might as well take my loss and sell. What do you think on this point? Also, please tell me whether S. O. of Ind. isn't going into the foreign field rather strongly in view of present conditions.—M. V., Erie, Pa.

The 1931 annual statement of Standard Oil of Indiana revealed net income for last year of $17,596,396 after all charges, equal to $1.04 a common share on 16,908,543 shares outstanding. This compares with net earnings of $46,371,437 or $2.73 a share on a smaller number of shares outstanding in 1930. The sharp decline in profits is attributed to the extremely low prices for crude oil and petroleum products existing last year. Standard Oil of Indiana is regarded as the largest producer of gasoline in the world, and as such, felt the full effect of the price wars in that field last year. On the other hand, the fact that production costs are lower than average materially augmented earning power during the year, with the result that the company stands out as one of the few enterprises able to report profitable operations for the year. In reflection of the increasing propaganda in favor of a tariff on petroleum imports, the company has taken steps to realign its properties in such a manner as to become less dependent on its foreign properties for its supply. In this connection, negotiations were recently consummated with Standard Oil Co. of New Jersey for the sale to that company of the foreign properties of Pan American Petroleum & Transport Co., 97% of whose common stock is owned by Standard Oil of Indiana. The consideration is estimated at $146,000,000; $50,000,000 of which is to be paid in cash and the balance in capital stock of the Jersey corporation. The outlook for the oil industry

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Aluminum Co. of Amer.	61¾	23⅜	23
Alum. Co. of Amer. Pfd. (3)	67¾	35¼	40½
Amer. Cities P. & L. "B"	3	1	1½
Amer. Cyanamid B	5⅜	2⅝	2¾
Amer. & Foreign Pwr. War.	5	1⅛	2⅛
Am. Lt. & Trac. (2.50)	24	12¾	16½
Amer. Gas & Elec. (1)	39¾	20⅜	27½
Amer. Superpower	4¾	1⅛	2
Assoc. Gas Elec. "A" (Stk. 5%)	4¾	1¼	2¼
Brazil T. L. & P. (Stk. 8%)	13⅜	7⅞	8½
Central Stat. El.	2⅜	11/16	⅞
Cities Service (.30)	6⅞	3⅜	3⅞
Cities Service Pfd. (6)	53⅜	29	32⅜
Commonwealth Edison (8)	122	50	73
Commonwealth & So. War.	¾	¼	⅛
Consol. Gas Balt. (3.60)	69½	50¼	53
Cord Corp.	8⅛	2⅝	2⅞
Deere & Co.	14⅞	4¾	6
Elec. Bond & Share (6% stk.)	32⅜	9⅞	13¾
Elec. Bond & Share Pfd. (6)	62	29⅝	38
Ford Mot. of Canada A	15	6⅜	7½
Ford Motors, Ltd.	6⅛	3⅝	3⅝
Goldman Sachs T.	3½	1⅝	1¾
Gt. A. & P. Tea N. Y. (6¼)	150	122	122
Gulf Oil of Pa.	35⅞	25⅜	31
Hecla Mining	5⅛	2⅛	2⅝
Humble Oil (2)	49	37¾	39
Internat. Pet. (1)	10⅝	8⅜	10⅝
Lone Star Gas (.60)	9¼	3⅜	4½
Nat'l Dairy Prod. Pfd. A (7)	101	95	98
N. J. Zinc (2)	28⅝	14½	21
Niagara Hudson Power (.40)	7¼	4	4½
Northern States Pr. Pfd. (7)	96	65	70
Pennroad Corp.	3¾	1⅝	1¾
Public Util. Holding Corp. of Amer. (x war.)	¾	3/16	¼
St. Regis Paper	5⅜	2⅛	2¼
Sherwin-Williams (4)	34½	21	21
Standard Oil of Ind. (1)	17¼	13⅛	17¼
Standard Oil of Ky. (1.60)	15⅞	10	11⅝
Swift & Co. (2)	18⅞	9½	10
Teck-Hughes (.60)	4⅝	3	3⅛
United Founders	2½	¾	1
United Lt. & Pow. A	8¾	2¾	3¼
Util. Lt. & Pr. Pfd. (6)	53⅝	16⅛	20
United Gas Corp.	2⅝	1	1⅛

as a whole during the current year is rather confusing, but when consideration is given to the accomplishments of Standard Oil of Indiana last year, its leading position in the industry and the strong financial condition, we believe it well able to cope with the present adversities successfully. Current prices for the common stock have gone far to discount immediate uncertainties, and we feel that the retention of present holdings as opposed to a sacrifice sale is the better course to follow.

Commonwealth Edison

(Continued from page 93)

first quarter of 1932 report showing a drop of less than $100,000 from the first quarter of 1931. With the exception of 1931 the net income for the first quarter of 1932 was the best shown by any first quarter in the company's history. Figures for the 12 months ended March 31, 1932, also indicated that nothing untoward had developed to menace the company—net income after taxes and other charges including depreciation was reported as $16,224,520, against the preceding corresponding 12-month record of $16,509,111.

Net per share for the first quarter of this year was $3.26, against $3.42 in the first quarter of 1931. At $50 a share the stock market placed a valuation on the stock that was less than 5 times its 1931 earnings and, allowing for seasonal variations, less than 5 times the indicated 1932 earnings. The manner in which the stock rebounded to around the 70 level demonstrated that even at the nadir of investment and trading interest the attraction of Commonwealth Edison on a 16% basis was not to be resisted.

Valuable rights to subscribe to the stock at par have been issued frequently. In the past eight years, seven such offerings were made to the shareholders, and the stockholder who exercised his rights as issued during this period would have increased his holdings by 130%. The company has received from stock subscriptions during this same eight years approximately $97,000,000—which is more than the market valuation of the entire company at the recent low level.

It is interesting to note that the yield on the stock at par, in 1925, together with rights and including the $8 dividend, was 11.87%; in 1926 the yield was 12.16%, in 1927 it was 15.75% and in 1928 when no rights were issued, 8%. In 1929 the yield established a high of 20½%. In 1930 no rights were issued and the yield was 8%, but in 1931 the yield was 19½%. It is not likely that rights will be issued this year, although the company will be called upon to retire the $20,000,000 of 3½% notes issued last year and due on July 30, next.

Commonwealth Edison has an authorized capital stock issue of 2 million shares, par $100, of which 1,726,362 are outstanding. It has a funded debt outstanding of $180,360,000 and besides, in effect guarantees the outstanding $20,000,000 of Commonwealth Subsidiary Corp. 5½% debentures that mature September 1, 1948. The funded debt figure includes the $3,360,000 1st mortgage 5s, 1943, of the old Commonwealth Electric Co. and funds for the retirement of this issue, including interest to date of maturity, are deposited with the Northern Trust Co. of Chicago.

The remainder, aside from the $20,000,000 of one-year notes due July 1, this year, matures variously from 1953 to 1981 and bears interest in different amounts, from 4 to 5%. They are all issued under the one indenture. Formerly the issue was designated as First Mortgage Collateral Gold Bonds, but under the supplemental indenture filed last July when 85 million dollars of Series F 4s were sold, the title of the bond has been changed to First Mortgage Gold Bonds. The entire issue is a direct obligation of the company secured by a first mortgage on all property, rights and franchises, subject only to the outstanding $3,360,000 5s of Commonwealth Electric.

The corporation has no bank indebtedness and while the manner in which the maturing 20 million notes will be taken care of has not been announced, the company is in position to redeem part and fund the remainder, or issue new notes. It is not likely a decision will be reached until late this month or early in June.

In the past 11 years interest on the funded debt has been earned from 2.87 times in 1920 to 3.77 in 1929 and 3.33 times in 1931. In this same period the interest charges naturally have increased, having been 2.52 million dollars in 1920, 5.9 millions in 1929 and 7.2 millions in 1931. There is, in this, further testimony to the inherent strength of the company and the stability of its earning power, for, translating the figures into dollars the amount available for interest increased from 7.2 million dollars in 1920 to 23.3 million in 1931, and the sum available for dividends on the stock ranged steadily upward from 4.7 million dollars in 1920 to 16.4 million in 1930 and 16.3 in 1931.

Financially Commonwealth Edison is in satisfactory position. Fixed charges are being earned easily, and the structure is not overburdened with debt. The 42-year dividend record of the company and its predecessor impresses one with the soundness of its fundamental policies, and the fact that the current rate has been continued without change through war and peace, through prosperity and depression,

stamps the company as almost depression proof. The collapse of the Insull pyramid undoubtedly has infected investors with the fear that (however free the operating company may be from any tieup likely to affect its earning power or assets) there is a possibility of liquidation of large blocks of Commonwealth Edison stock. This of course should not induce present holders to sell their holdings. But it serves to check demand for the stock, even at prices that appear absurdly low. This condition is one which only time will cure. During this phase we believe that the investor who is willing to disregard intermediate irregularities has the opportunity of purchasing at reasonable levels an 8% stock which will yield considerably more than 10% on the investment, and holds reasonable promise of eventually recording a substantial appreciation in market value.

Investors Study Effect of Reserve Board Bond Buying

(*Continued from page 89*)

the highest grade first mortgage corporate bonds. Possibly the best compromise is to keep half of one's available investment funds in short-term Treasury notes and to place the rest in gilt-edged long-term bonds.

Many confusing and contradictory factors are involved in any effort to forecast the possible future fluctuations of bond prices. One of the comparatively short-term factors to be considered is the relation between the Federal Reserve's credit program and the financing policies of the United States Government. There exists at present a very large Federal deficit, which is being met by Treasury borrowing. In short, as fast as the Reserve pumps money into the banks by buying Government bonds from them, the Treasury pumps it out by selling them short-term notes. This probably is why the Reserve program thus far has had so little effect upon general business or upon bond prices.

This nullification of credit expansion could be avoided in two ways. Federal financing on terms that would attract public investment would do it, but this is unlikely. Secondly, it is hoped that higher taxes and governmental retrenchment will soon effect a balanced budget, making it unnecessary for the Treasury to borrow any new money after the end of the present fiscal year on June 30. If such is the case, the real test of the effectiveness of Reserve credit expansion may come thereafter, rather than now.

A bond market factor of somewhat longer-term implications is the question of the tax program to be adopted by Congress. Whatever its details, this is certain to involve a much higher rate of income taxation than is now in effect. Under the surtaxes proposed by the House of Representatives and under the existing income tax in New York State, for an investor in this state with a taxable income of $50,000 a tax-exempt Government or municipal bond yielding 3.30 per cent would be equivalent to a corporate bond yielding 5 per cent.

The effect of high income taxes will tend to restrict the demand on the part of some investors for good corporate bonds and to increase the demand for tax-exempt issues. Such a switch might restrict advance in even sound corporate bonds. On the other hand, there are many reasons to believe that the long-term trend of interest rates in this country may be downward for a period of years, due to the unattractiveness of foreign investments and to the prospect that new capital expansion in this country will be slow until consumption has caught up with existing producing facilities.

Such a long-term prospect, of course, should outweigh the other and more temporary factors in investment consideration.

The probability of an actual monetary inflation now appears so remote that there is little need of investors giving thought to it. If this were forced upon us, shrewd individuals probably would go short of money by converting investment bonds for a temporary period into stocks, property or commodities.

The effect of the type of controlled credit inflation that is now being undertaken, if it "takes hold," would be to raise prices and hence reduce the purchasing power of bond income. It is to be doubted that this would importantly reduce bond quotations or that it would make it worth while for the average investor to attempt to avoid moderate and temporary bond risks by venturing into the permanently more risky field of property or stock investment.

In comparison with what we have always regarded as the investment normal over a long period of time, high grade bonds are moderately priced and unquestionably constitute the investment best fitted to the needs of the individual who desires permanent safety of capital, plus a reasonable income yield. If existing or approaching conditions provide any occasion for the ultra-conservative to doubt investments of this kind, the sound recourse certainly is not to equities but to short-term issues.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$1.00	Amer. Pr. & Lt.	$.25	Q	5-14	6-1
3.00	Borden Co.	.75	Q	5-14	6-1
.60	Canadian Car & Fdy.	.15	Q	5-16	5-30
2.00	Chicago Yellow Cab	.50	Q	5-20	6-1
7.00	Coca-Cola Co.	1.75	Q	6-14	7-1
....	Coca-Cola Co.	.25	Ext	6-14	7-1
2.00	Curtis Publishing	.50	Q	5-20	6-5
9.00	Delaware & Hudson	2.25	Q	5-28	6-20
2.00	Freeport-Texas	.50	Q	5-13	6-1
1.00	General Motors Corp.	.25	Q	5-14	6-13
9.00	Homestake Mining	.75	M	5-20	5-25
3.50	Hudson & Manhattan	1.75	SA	5-16	6-1
2.60	N. Y. Steam Corp.	.65	Q	5-16	6-1
1.00	Stand. Oil of N. J.	.25	Q	5-16	6-15
....	Stand. Oil of N. J.	.25	Ext	5-16	6-15
1.50	Timken Roller Bearing	.37½	Q	5-20	6-6
1.40	Union Tank Car	.35	Q	5-16	6-1
2.00	Un'd Biscuit Co. of Am.	.50	Q	5-16	6-1

U. S. Steel Corp.

(*Continued from page 96*)

The new policy of the Federal Reserve Banks which dictates the purchase of some $100,000,000 weekly of U. S. Government securities is intended to liberalize credit and to improve the high-grade bond market. The effect of such Federal Reserve Bank purchases of Government bonds on the bond market averages should be closely watched in coming weeks. Then, to see how these fundamental business and financial factors affect the industry, a prospective long-term purchaser of U. S. Steel common should note each week the percentage of operations of the steel industry to its capacity; also to note the monthly changes.

Wage and salary reductions of 15%, effective May 16, are expected to save the corporation $25,000,000 over the rest of this year—the cut being at the rate of 40 million dollars a year. This cut is not one that is to be passed along to the consumer, apparently, this being indicated by the recent firm stand on prices taken by independent steel makers. The reduction was made for the purpose of helping Steel to make ends meet.

At the present moment, of course, it may be extremely difficult to develop any substantial degree of optimism for much increase in operations, or for profits, in the steel industry in 1932. It is possible, however, that we may have stability around current levels, since it is likely that operations between 20 and 25% of capacity, hardly take care of national requirements for wear and tear, to say nothing of depreciation and obsolescence. Operations in the past three months have held on a fairly even keel. It is too early to say that they now are turning upward. If

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (18)..	280	300
Bankers (3)	49¼	51¼
Brooklyn (16)	171	186
Central Hanover (7)	112	116
Chase (3)	30¼	32¼
Chemical (1.80)	30¼	32¼
City (3)	35¾	37¾
Corn Exchange (4)	49½	52½
Empire (2)	22	24
First National (100)	1090	1190
Guaranty (20)	235	240
Irving Trust (1.60)	16½	17½
Manhattan Co. (2)	21	23
Manufacturers (2)	24½	26½
New York (5)	71	74
Public (2)	21	23
United States Trust (70)	1280	1360

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (2)	20	22
Aetna Life (1.20)	16½	18½
Carolina (1.50)	9½	11½
Continental (1.60)	7	10
Glens Falls (1.60)	28½	31½
Globe & Rutgers (20)	60	90
Great American (1.60)	8½	10
Hanover (1.60)	15⅛	17⅛
Hartford Fire (2)	24½	26½
Home (2)	9⅝	11⅝
National Fire (2)	22	24
North River (1)	6⅞	8⅞
Stuyvesant (1.50)	6	11

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Travelers (22)	330	380
United States Fire (1)	10	12
Westchester (2)	7¾	9¾

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety	10	13
Bond & Mtg. (5)	29½	32½
Lawyers Mortgage (1.40)	9½	11½
National Surety	7	8

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	1	..
Dallas	4	..
Des Moines	1	.
First Carolina	1	..
Lincoln	2	6
Southern Minnesota	..	1
Virginia	.20	.40

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 6% Pfd	10½	15
Do 7% Pfd.	10⅝	15⅛
Diversified Trustees Shares A	6¼	..
Do Series B	5	..
Fixed Trust Shares A	5⅝	..
Interl. Sec. Corp. of Amer., Pfd	6¾	11¾
Do Cum. Pfd.	7	12
No. Amer. Trust Shares	1.75	..
Second Intl. Securities A	⅝	1⅛
Do 6% Pfd.	14	20
U. S. & British Internl. Pfd	4	8
U. S. Electric Lt. & Pr. "A"	13	15
Universal Trust Shares	1¾	2¼

Ford Motor Co. operations improve it is possible that summer steel operations will show further improvement. In the last quarter of 1932 it would not be difficult for the industry to make a favorable comparison with the last quarter of 1931. In the export field little hope can be held for substantial business.

In view of the historical slowness of the steel industry to recover, conservatism would dictate that prospective buyers of Steel common delay purchases for some weeks and perhaps months. It may develop that the better part of wisdom is to wait until general business conditions have improved definitely. In the meantime, Steel common may decline to lower levels, even while the general market is advancing, as it did in the early months of 1915. Its recovery after the bottom of 1921 also was slow and even if an investor missed purchasing it at bargain levels, between 70 and 80, during the fall, he still had an opportunity to purchase it around 82 in 1922 and 86 as late as 1923.

It is conceivable, if the general market should not hold at the 1914 low levels, which it has been approaching, that Steel common could sell in the 'teens. Another remotely probable blow to confidence would be a reduction in the preferred dividend rate at the July meeting of the directors. Since the preferred is cumulative, back dividends would pile up against the common.

While the U. S. Steel Corp. may have lost its position as the premier industrial company of the United States and its common stock is no longer the leader of the stock exchange list, "Steel" is still one of the nation's leading companies and its common stock one of the principal factors in the stock market. There appears to be a profit making opportunity in the common but a waiting attitude is recommended to those who desire to buy with a minimum possibility of further decline before recovery sets in.

Politics Dominates the Market

(Continued from page 75)

that those possessing liquid resources should concentrate their attention, leaving all external problems to work out their own solution in due course, as economic necessity will inevitably dictate.

Meanwhile, the markets are harrassed not only by business stagnation but by political uncertainties both here and abroad, and these will play a vital part in the developments of the summer. It is difficult in this country, with its vast and widely dispersed population, for public opinion to array itself quickly and solidly behind a sound program of governmental action. Personal leadership of the dynamic type so badly needed in politics is lacking. The public itself is confused. For this reason one can understand confusion in Congress.

There is nothing in the public attitude, however, which justifies any such utter abdication of sober responsibility as the House of Representatives has recently exhibited in dealing with taxation and the problem of governmental retrenchment. Yet the danger can not be as great as it seems. Indeed, the shabby performance of the leaderless House will do more than anything else to provoke public opinion into an articulate demand for sensible legislation. There are signs that this demand is already taking shape.

As one observes the efforts of the Senate Committee to devise a sound plan of taxation there is ground for hope. Some of the more foolish taxes proposed by the House, including destructive security taxes, have been greatly modified. Each proposal made is apparently receiving closer study as to the actual receipts it will yield and its actual effects upon business than was given in the House. It appears quite likely at this writing that the final tax bill will be far less objectionable than was originally feared and that it will either balance the Federal budget or at any rate reduce the deficit to a point at which it can not conceivably threaten the national credit.

If political events take this decidedly more hopeful course, Federal borrowing after June 30 can be held to a miminum, the Treasury will no longer suck funds out of the banks as fast as the Reserve System can pump them in and a fair test can be had of the effectiveness of banking credit expansion.

In the international political scene, all eyes shift to the coming Lausanne Conference in June, which brings a show-down—possibly the final one—on reparations and inter-governmental debts. Greece has defaulted and other Balkan countries are literally straining to hold out pending the outcome of the all-important meeting of statesmen at Lausanne. To a large extent the question of whether 1932 is to see a start toward world revival of confidence is in their hands.

For Features to Appear in the Next Issue See Page 69

Outstanding Profit Possibilities In Sound Low-Priced Stocks

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"Tips" on Books

Book Review Section of The Magazine of Wall Street

RECOVERY: THE SECOND EFFORT

By Sir Arthur Salter

The Century Co., New York

MANY books have been published on the present depression. One takes as its theme the evils of overproduction; another the burden of debt and war debt in particular; another the unemployment problem; while yet another confines itself to the credit and monetary breakdown which is such a clear manifestation of the general disaster. There are few, however, which have succeeded in etching all of the various aspects in correct perspective and still fewer which have failed to become hopelessly involved in the intricacies of cause and effect. *Recovery: The Second Effort*, by Sir Arthur Salter is among the most worthwhile exceptions. The author frees the maze-like path leading to the depression of all its false trails and points out the few alternatives—all difficult—in the way out. He commences with the passing of the "laissez-aller" era of the world's economic development, showing how free and untrammeled competition and the unobstructed working of gold as a basis of currency automatically adjusted supply and demand. The system, however, was defective in a number of important respects. For example, it took no cognizance of the unequal bargaining power of a workman without resources and a financially powerful institution. This resulted in trade-unionism and factory laws and from here it was but a step to other laws with far-reaching effects upon the natural course of competitive trade. We are now—Sir Arthur says—living in an age in which we have neither the advantages of the automatic adjustment of the old system nor the advantages of well planned control. With this as a base he goes on to show how the ill-conceived tariffs, ill-directed and irregular lending, and the alternations of confidence and anxiety over political relations aggravated the inevitable post-war problems and precipitated the crisis which has gone from bad to worse. Taking up the more important individual aspects of the depression in greater detail, Sir Arthur, while linking them clearly to his main thesis, makes specific recommendations for their alleviation. In general his suggestions flavor distinctly of the internationalism of which so many of our own citizens seem afraid. But after all, is it not perhaps an excessive nationalism which is the principal cause of the depression? As a clear, readable outline map of the economic problems facing the world today, *Recovery: The Second Effort* is a book which should be read more by those who believe themselves far removed from world affairs than those whose greater depth of vision has already permitted them to see the catastrophic possibilities in the world's present policies.—H. R.

THE FAIR RATE OF RETURN IN PUBLIC UTILITY REGULATION

By Nelson L. Smith

Houghton Mifflin Co.

WHEN Nelson Lee Smith studied for his doctor's degree, he chose for his dissertation a subject in the field of public utility economics on which relatively little research has heretofore been done. The book is the result of this research and bears all the earmarks of painstaking study and thoroughness. The material is presented in a scholarly manner and is replete with references to original sources.

The determination of the fair rate of return has been a much neglected phase of public utility regulation. The question has been overshadowed by controversy concerning methods of physical valuation, yet the proper rate of return constitutes an equally important problem. The rates and earnings of public utilities are controlled not by the valuation base alone, but by this latter and the fair rate of return taken together.

The discussion in the book centers upon the question of the rate of return and, while it does not settle many of the complex problems involved, it does nevertheless define some of the major issues of regulation. The author starts his study on rates of return with the year 1915, pointing out that prior thereto only scattered cases were recorded. Between 1915 and 1928, however, there were 79 court decisions and 1,206 commission cases which after eliminating certain duplications and other unsuitable cases left 1,037 findings concerning specific fair rates of return. It is on these that the author bases his study and arrives at general conclusions.

Of a highly technical nature, the book is obviously not meant for the average reader on economic topics, but for those intimately concerned with the problem of regulation, the scientific handling of this phase of the problem makes it a valuable contribution to the subject. The book is one of the Hart, Schaffner & Marx prize essays.—H. W. K.

Cut the Noose From the Neck of World Trade

(*Continued from page* 81)

preferential trade within that empire. Also, the whole French tariff system and policy is one of barter and dicker, although generally shortsighted and narrowly planned. France is too self-contained and moderate in her commercial ambitions to "cut much ice" in a general world melange of tariff bartering. But Germany is in much the same need of reciprocal foreign trade as England. She has twenty or thirty million people too many unless their labor can be paid for with imports.

Even the United States, the nearest approach to large-scale industrial and commercial self-containment in the world, now feels the need of maintaining a great export trade and of extending it if prosperity is to go on expanding from decade to decade. Our overgrown industries, geared to a rapidly growing population, are now confronted by a slow growth of population at home. But there are 1,900 million multiplying people beyond our frontiers. We boast advisedly of our incomparable home market of 124 million. What if our market were 2,000 million! But our self-containment forbids. We are immersed in surpluses of both agricultural and manufacturing products and capacity. We can't give Canada reciprocity because we can get along without her agricultural products, forest goods and most of her mineral products; and we have no use for her manufactures. Canada retaliates and so we ship a thousand branch factories to Canada instead of the products of the home plants, thus creating continental over-capacity and circumscribing foreign outlets generally.

The same relations apply more or less to other countries. Tariff bartering means more trade, but two-way trade. We can't trade our raw cotton for cotton textiles because we are in textiles up to our neck. We are an all-around nation and our all-aroundness tends to make us more so all the time. We strive continuously to make here everything under the sun—even rubber —and the reaction to that striving

forces us to part with supremacy in those lines in which we are pre-eminent specialists. We can't trade automobiles for goods, so we export the factories instead of the machines. In the long run trade is barter, and we can't export without importing.

It looks as if we were in perpetual snarl when we seek access to the markets of the world. And yet it is axiomatic that exchange of goods and services is the source of wealth, and the greater the numbers of producers involved in exchange the greater the wealth. If we could be assured of lasting peace and the nations could enter into trade agreements based on division of labor and specialization of products according to national genius, resources and equipment, the possibilities of trade extension and the multiplication of wealth would be so great that our past American achievement would be dwarfed. But at the moment the entire world is committed to policies that strangle this source of wealth—even though they may, as in the case of Britain, look to the cure of the bite by the hair of the dog that bit.

Yet we may be at the faint beginnings of a reciprocal tariff policy that will gradually unlock the potential wealth of the world. Congress has already passed a partisan reciprocity tariff policy bill, which will be vetoed.

A Chance for Yankee Traders

Whether our present tariffs should be generally lower or not, it is becoming plain to our manufacturers and farmers who are concerned about foreign trade that we must have an easily flexible system, with limits set by Congress. A convention of 800 business men recently established the "World Trade League of the United States" to work for a reciprocal tariff policy. The executive must have authority to give and take in tariff reciprocating and finally decide. The present tariff commission's so-called flexible powers are ludicrously insufficient, but they open the way. Twenty-seven other nations now have real trading tariffs. At present they are using these powers offensively and destructively and we are being helplessly trimmed in every quarter. So much so that we are threatened with a balanced trade, brought about by a great decrease in imports and a larger one in exports. But when the times improve and the world's temper changes they will be bartering themselves into better trade relations all over the world and trading us out. We have the lure of the greatest import market in the world to trade against, and with that to go on, high tariffs to start with, and plenty of shrewd traders available we should be able to extend foreign commerce with vast benefit to our people as a whole and but minor injury to any interest that may suffer from broader foreign trade.

We are now having a convincing demonstration of the value of that foreign trade which we were wont to dismiss lightly as a mere 10 per cent of our total trade. It is estimated that the loss of 53 per cent of our foreign trade since 1929 has thrown 2,500,000 men out of work. It is not in evidence that the reduction of imports has cushioned the fall of domestic trade. In fact, the imports paid for the production of the lost exports. Instead of giving jobs, the decline in imports has simply taken away jobs. Here and there, no doubt, it can be shown that such importation as remains does cut into domestic production. But perhaps the chief value of such incidents is to show what industries we could profitably relegate to the foreigners, while we concentrate on those that they could most profitably leave to us, thus creating the conditions of tariff bartering.

When we come to study tables of imports and exports it is evident that our all-aroundness deprives us of much opportunity for the expansion of mutally welcome trade. While unmanufactured cotton is our largest export item no sort of textile is among the first 25 items of imports. Automobiles were a poor second to cotton last year, although first three years ago. Right through the list raw material and foodstuffs alternate with manufactured goods. We can't trade automobiles with Argentina for wheat and meat; for we have them, even export them. We can't freely trade coal with Canada for lumber because we have plenty of lumber. We can't trade with raw material nations, because we are one; and we can't trade with industrial nations, because we are industrial.

Little Patronage for Best Buyers

The United Kingdom is our best export market, but so much are her products identical with our products that we buy more from several other nations. In the trade with the first twelve nations in combined export and import trade we sell every one of them except Japan more than we buy from them. These are the United Kingdom, Canada, Germany, Japan, France, Russia, Netherlands, Belgium, Italy Argentina, Mexico.

Yet, speaking in a general way, it is a fact that the nations we buy most from are the ones that buy most from us, great as may be the discrepancy between imports and exports. At the same time they are mostly industrial nations, and it is hard to see how our traditional devotion to high and general protection can find items on which

to let down the bars in order to get the counter bars lowered. Again the nations that have the largest favorable balances on their side in trade with the United States are only petty customers.

We buy from Brazil five times as much as she buys from us, but as a patron she stands twentieth. We seem to lack balanced reciprocal trade just where it ought naturally to exist. We buy much from undeveloped, raw-material countries and sell them little. Partly this suggests that along with the multiplied wants that come from high industrial development there is a gain in the total of imports because of the concomitant higher per capita buying power. But it is also plain that the nations which are shut out of our markets strive to even up the final balance by ousting us from markets that ought naturally to be ours. We can't cure that situation by tariff lowering, because our imports from the raw materials countries are already on the free list or near it, with some notable exceptions such as wool. The tariff on wool benefits a few hundred thousand farmers and is a burden on the rest of our population, as we must import about a quarter of the wool we consume. This is an item that affords a fair opportunity for tariff bartering, but it is squelched by the rigid policy of giving everybody and everything protection.

It all looks hopeless; but if, with the return of better and saner times in the world, it becomes plain, that our share of an increasing world trade is slipping along with unused equipment and capacity at home, we may be moved to a change of policy which enable us to dicker in tariffs. As things are going now it will soon be a case of little or no trade in goods, without bartering in tariffs.

The world resounds today with the rattle of typewriters pouring out tariff decrees aimed at the destruction of trade. It is a universal tariff war. But war is an episode, peace is the theme. The big thing tomorrow will be an intensive hunt for mutually profitable trade concessions.

Trade Tendencies

(*Continued from page* 108)

been expended. Also, from the other two main sources of demand, construction and the railroads, little can be expected. Building is suffering from indigestion, lack of tenants and a shortage of mortgage money, while it is hard to see that public works can be carried on at any increasing rate in view of the mounting indignation over the tax burden. It was undoubtedly in order to offset this poor outlook that the United States Steel Corp. recently took the leadership in another wage and salary reduction. Assuming that this move is followed by the rest of the industry, it is now a question of resisting with all possible power buyers' attempts to purchase more cheaply lest the anticipated benefits be lost. So far, perhaps the one bright spot has been the comparative steadiness of finished steel prices and if these can be maintained, the latest wage reduction may be said to have improved the outlook somewhat. It will not, however, make up for business volume and, until operations reach at least a reasonable proportion of theoretical capacity, no economies can be expected to result in a condition even approaching prosperity.

Household Supplies

Some Divisions Do Well

The consistent upward trend of mechanical refrigerator sales has made unabated headway throughout the depression and the outlook for this division seems to be bright. Although there is intense competition between rival manufacturers of these devices, the demand has accommodated manufacturing output to date. Sales have been aided by the action of the more important electric and gas utilities in arranging easy payments on monthly bills, and in educating prospective consumers who have facilities for iceless refrigerator installation. Demand to date has been concentrated mainly in the larger cities and among the high purchasing power strata of consumers, so that the competitive effect of these appliances is unlikely to affect ice company sales materially.

Poor sales and only lethargic interest characterize business in other mechanical devices. Vacuum cleaners, washing machines, ironing machines and other household time savers have experienced almost no demand in the past few months and there is at present no sign of any resumption of activity in this field. Most firms engaged in manufacturing these articles are incurring considerable deficits and the outlook for the second quarter is for no improvement.

In the carpet and linoleum divisions heavy price cutting has been disturbing. This has been especially severe in the linoleum branch, slashes in quotations made last autumn reducing the business to unprofitable levels. Since then sales of floor coverings have declined and the loss of price and sales volume has rapidly changed the status from a thriving to a depressed basis. Sales of carpeting have been maintained in good volume but the prices are such that no profits are being realized by the rug business as a whole. Depreciated Persian and other Oriental currencies have thrown large quantities of Asiatic rugs upon the market at unheard of low prices and this has adversely affected domestic rug manufacturing.

Too Pessimistic, No Doubt

(*Continued from page* 107)

men own automobiles too, it becomes evident that their luxury money goes to the automobile industry also.

To sum up,—the automobile industry after licking the frosting off every other industry is now, I believe, devouring its own entrails and in another five years I expect to see every existing automobile company either disappear or reorganized.—WILLIAM COMERFORD.

Valuing Bonds By Purchasing Power

(*Continued from page* 104)

in affecting nominal prices.

3—It preserves the real value of trusts, and in eliminating an element of risk, approaches a sounder credit instrument.

4—It minimizes discrepancies in our capital gains and losses tax payments.

5—It is equitable to the debtor company in that the value of the borrowed money when invested, will fluctuate in price with the amount of the debt incurred. At the time of payment, it will have undergone no untoward deflation, (or inflation) as compared—with its initial relative price—to the mortgage price at the time of the bond's maturity.

In summation, a form of bond payment, whereby the fair average price of the designated commodities at the maturity date would determine the nominal amount in legal tender or gold to be paid to bondholders, appears to lend an added element of safety to the present nature of bonds.—ALFRED B. REISS, New York, N. Y.

Use of a flexible value unit for determining a gold or dollar settlement

basis would not appear feasible in connection with corporate bond issues. A somewhat similar suggestion was offered in the April 30 issue of THE MAGAZINE OF WALL STREET, by E. J. Martin, who, however, limited his program to international settlements.

You do not appear to have taken into consideration the interest payments—how would they be determined? Nor do you suggest how sinking fund requirements would be provided for—certainly a most important point, much more so than that of interest disbursements. Above everything, to mention just another of the difficulties the adoption of your plan would create, it would hopelessly complicate the determination of the equities back of stocks and contribute a new element of instability to market values, of not only stocks but also of all bonds junior to any underlying issue.

It would virtually destroy both trading and investment in securities. The fact that the original bond issue would be redeemable in gold or dollars having the same purchasing power as the amount for which the bond originally was sold, would narrow the appeal of the bond to the investor-to-maturity. Its intermediate market value would reflect the varying dollars-value of the commodity portfolio on which it was based, and in times of commodity price inflation the issuing corporations would face the necessity of digging up two to five times as many dollars to redeem a bond as originally received for it.

We fear that the workings of the method you propose would lead to an epidemic of tall-building jumping by corporation executives. Either they would be driven frantic by the effort to find, say, 50 million dollars to redeem a 10-million-dollar bond issue, or would take the easiest way out when mobbed by a horde of angry investors who would be able to figure only that they were being asked to accept $319 for a $1,000 bond.

"Now Don't Quote Me, But"—

(*Continued from page* 87)

lar employee gets some work and a little cash every week.

"Then we keep up morale and help out the family fare by assisting all our people to use the time they no longer spend in the mills in cultivating truck gardens. We provide the land if a man hasn't a large enough patch of his own, we furnish the mules and plow the ground, stake him to seeds and fertilizer and give him the services of an agricultural adviser.

"It is amazing how close an indus-

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 25	61.97	58.92	22.80	52.41	50.62	640,596
Tuesday, April 26	62.09	59.71	23.58	53.28	51.39	789,820
Wednesday, April 27	61.96	61.28	23.95	54.22	52.07	1,120,830
Thursday, April 28	61.20	58.24	22.85	53.40	50.98	924,680
Friday, April 29	60.71	55.93	21.84	50.59	48.89	1,166,820
Saturday, April 30	60.17	56.11	21.44	49.79	48.79	438,980
Monday, May 2	59.74	55.37	20.66	49.26	47.63	776,856
Tuesday, May 3	58.14	54.15	20.33	49.05	47.42	899,610
Wednesday, May 4	58.59	54.88	20.48	48.48	46.23	1,318,950
Thursday, May 5	58.86	54.10	20.02	48.88	46.41	1,002,866
Friday, May 6	59.73	59.01	21.39	51.94	48.17	1,629,730
Saturday, May 7	60.02	58.04	21.85	52.13	50.29	638,848

trious man can come to feeding his family from a small piece of ground, with resort to drying, canning and preserving, particularly if he has a few hens and a pig or two. We have kept our people husky and happy for two years, and I am becoming interested in this expedient as having possibilities of permanent policy. It may be that we will never run full capacity again. I can't see that our people derived much permanent good from the feverish pushing of the mills and jammed pay envelopes of 1925 and 1926. I am not sure that we made anything out of it, taking the long-run view. Maybe Ford has the right idea, but in any event thousands of people are finding out, just as we are in our town, that people can live and live well without handling much cash. Next winter is no problem for us."

Glass Bill Provides Basic Banking Changes

(*Continued from page* 78)

be a blessing if Congress could give the people a law that would put an end to bank failures or make them as rare as they are in some other nations. Many people have thought that the Federal Reserve Act was aimed at that purpose in part. It was, in fact, primarily a reform of our banking system, not of the banks themselves. The Glass Bill gives the Reserve Banks and the Reserve board far more power to supervise and discipline member banks than it had before, but it does not undertake to immortalize a bank, insure the integrity of bank officers or endow them with good judgment and will-power. Perhaps the greatest step toward curtailing future failures of banks has been the elimination of so many thousands of banks, mostly small, in the last ten years. Nothing short of the great national branch banks of other countries will save us from devastating bank failures—perhaps not even they. But there are other considerations. This is a decentralized nation, we want neither our finances nor our politics in a few hands. The risk of some failures may be a fair price to pay for the advantages of decentralized money power. The latter is one purpose of the Federal Reserve system, with its twelve reserve banks, each having a large measure of independence.

For Features to Appear in the Next Issue See Page 69

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In the gayest capitals of Europe . . in fabled cities of romance and art . . the discriminating traveler will enjoy pleasurable living as the guest of "Les Grands Hôtels Européens". Rates have been adjusted in accordance with the times.

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Single Rooms from $5.00
Double Rooms from $7.00

PALACE, LYONS

A stately hall, spacious reception rooms, famous restaurant, garage for 100 cars . . comfortable living for guests of the modern Palace Hotel at Lyons, center of the silk trade. 400 pleasant rooms provided with bath or complete dressing room, and city phone.

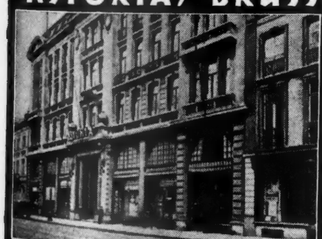
Single Rooms from $2.00
Double Rooms from $3.00

RITZ, MADRID

The aristocratic hotel par excellence. Its prominent site on the *Prado*, Madrid, is perennially the scene of brilliant fetes, fashionable "teas" in its splendid Winter Garden. A magnificent restaurant and famous grill complete its accessories to comfortable living.

Single Rooms from $3.50
Double Rooms from $5.50

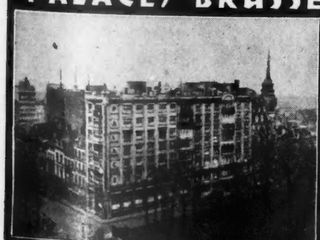
ASTORIA, BRUSSELS



In the most fashionable quarter of Brussels—Rue Royale—the Astoria is patronized by discriminating travelers. Its luxurious suites and Royal Apartment, the great hall and Salle de Fetes denote a uniform elegance. The restaurant is acclaimed for the excellent cuisine and fine wines.

Single Rooms from $2.00
Double Rooms from $2.50

PALACE, BRUSSELS



In the heart of busy Brussels, you will have rest and fresh air, at the Palace, which faces upon the Botannical Garden. Luxury, refined comfort, faultless attendance . . Five hundred rooms, an equal number of baths and phones. A noted restaurant.

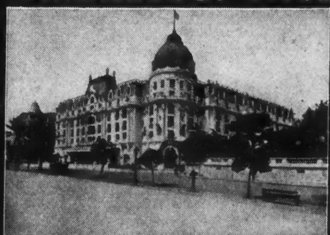
Single Rooms from $2.00
Double Rooms from $2.50

LES GRANDS HÔTELS EUROPÉENS

L'ERMITAGE DIGNE, FRANCE

A delightful stopping-place on the winter *Route des Alpes*, when motoring to or from the Riviera. Here you will enjoy real countryside amid unforgettable scenery. L'Ermitage will look after your every comfort while you are at home in Digne.

NEGRESCO, NICE



Many rooms of the sumptuous Negresco Hotel at Nice look out upon the blue Mediterranean; others upon the Massena Garden. The great hall, in Louis XVI style, is one of the world's finest. The luxurious restaurant overhangs the water's edge; the grill is noted for specialties.

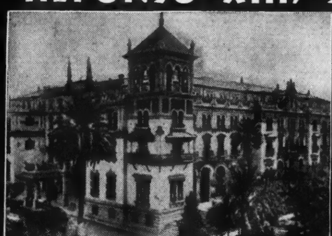
Single Rooms from $3.50
Double Rooms from $4.00

PALACE, MADRID

Largest hotel in Europe, the Palace is splendidly situated between Canovas and Cortes Squares in Madrid. The vast hall is renowned for its admirable proportions and decoration. Rooms of unusual comfort and luxury; each is provided with bath and city phone. Restaurant and grill are famous.

Single Rooms from $3.00
Double Rooms from $4.00

ALFONSO XIII, SEVILLE



Seville, Jewel of the Andalusia of sun and flowers, romance and art, has irresistible attraction. The Alfonso XIII Hotel seems more like an Andalusian palace than the comfortable hotel it is. A magnificent hall and patio; splendid restaurant; garage and all modern features.

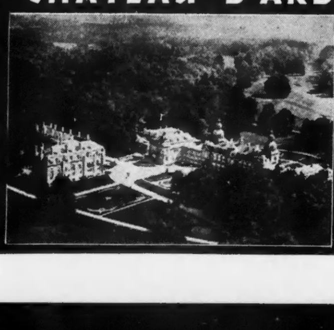
Single Rooms from $2.50
Double Rooms from $3.50

CONTINENTAL, S. SEBASTIAN

In the Pyrenees, at the edge of the Atlantic, San Sebastian is the summer residence of royalty. Here the Continental Palace Hotel offers visitors perfect living. On the famous "La Concha" beach, the hotel looks out upon a gorgeous panorama of sea and mountains. Open the year 'round.

Single Rooms from $2.50
Double Rooms from $3.50

CHATEAU D'ARDENNE



In the Ardenne Hills of Belgium, the Chateau was formerly Manor of the Count of Rochefort and later property of the King of the Belgians. It has now been transformed into a luxurious hostelry. Surrounded by a park of 1,500 acres; golf, tennis, fishing, riding are available.

Single Rooms from $2.00
Double Rooms from $2.50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More for your money than in any other cigarette!
You get many extras in LUCKY STRIKE as a result of that famous and exclusive "TOASTING" Process. Extra Goodness—forced in when certain harsh irritants are forced out. Extra mildness, mellow-mildness—resulting from the purging and purifying of every tobacco leaf. Extra Deliciousness—from the world's choicest tobaccos—the Cream of many Crops. Extra Mellowness—from the use of modern Ultra Violet Rays.
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